



Mohokare Local Municipality
Annual Financial Statements
for the year ended 30 June 2018

Mohokare Local Municipality

(Registration number FS 163)

Annual Financial Statements for the year ended 30 June 2018

General Information

Legal form of entity

Local municipality

Nature of business and principal activities

Is an organ of state within the local sphere of government exercising legislative and executive authority within an area determined in terms of the Local Government: Municipal Demarcation Act, 1998, Providing municipal services and maintain the best interests of the local community mainly in the Mohokare area.

Mayoral committee

Executive Mayor

Councillors

I Mehlomakulu

TS Khasake

TD Mochechepa

L Lekhula

BM Valashiya

CI Phatsoane

MI Morapela

M Lephuthing

IS Riddle

LJ Lipholo

BJ Lobi

Grading of local authority

Grade 2

Accounting Officer

SM Selepe

Registered office

Civic Centre

Hoofd Street

Zastron

9950

Postal address

PO Box 20

Zastron

9950

Bankers

ABSA Bank

Auditors

External - Auditor General of South Africa

Internal - Thobeca Macala

Attorneys

Peyper Attorneys

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DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

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Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the Accounting Officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

Although the Accounting Officer is primarily responsible for the financial affairs of the municipality, he is supported by the municipality's external auditors.

The external auditors are responsible for independently auditing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors.

The annual financial statements set out on pages 5 to 98, which have been prepared on the going concern basis, were approved by the Accounting Officer on 31 October 2018 and were signed on his behalf by:

SM Selepe
Municipal Manager

Mohokare Local Municipality

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Audit Committee Report

We are pleased to present our report for the financial year ended 30 June 2018.

Audit committee responsibility

The audit committee reports that it has complied with its responsibilities arising from section 166(2)(a) of the MFMA.

The audit committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

The effectiveness of internal control

The system of internal control was not entirely effective for the year under review. During the year under review, several deficiencies in the system of internal control and/or deviations from there from were reported by the internal auditors and the Auditor-General South Africa. In certain instances, the matters reported previously have not been fully and satisfactorily addressed.

The quality of in year management and monthly/quarterly reports submitted in terms of the MFMA and the Division of Revenue Act.

The audit committee is satisfied with the content and quality of monthly and quarterly reports prepared and issued by the Accounting Officer of the municipality during the year under review.

Evaluation of annual financial statements

The audit committee has:

- reviewed and discussed the audited annual financial statements to be included in the annual report, with the Auditor-General and the Accounting Officer;
- reviewed the Auditor-General of South Africa's management report and management's response thereto;
- reviewed the entities compliance with legal and regulatory provisions;
- reviewed significant adjustments resulting from the audit.

The audit committee concur with and accept the Auditor-General of South Africa's report the annual financial statements, and are of the opinion that the audited annual financial statements should be accepted and read together with the report of the Auditor-General of South Africa.

Internal audit

The audit committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the municipality and its audits.

Auditor-General of South Africa

The audit committee has met with the Auditor-General of South Africa to ensure that there are no unresolved issues.

Chairperson of the Audit Committee

Date: _____

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Annual Financial Statements for the year ended 30 June 2018

Statement of Financial Position as at 30 June 2018

Figures in Rand	Note(s)	2018	2017 Restated*
Assets			
Current Assets			
Inventories	3	957 982	843 186
Receivables from exchange transactions	4	5 896 508	5 537 104
Receivables from non-exchange transactions	5	17 500 403	10 167 237
VAT receivable	6	24 964 658	16 804 092
Cash and cash equivalents	7	4 578 406	15 953 253
		53 897 957	49 304 872
Non-Current Assets			
Biological assets that form part of an agricultural activity	8	423 250	379 905
Investment property	9	55 869 000	55 869 000
Property, plant and equipment	10	566 340 157	530 168 805
Other financial assets	11	373 706	340 979
		623 006 113	586 758 689
Total Assets		676 904 070	636 063 561
Liabilities			
Current Liabilities			
Other financial liabilities	12	223 564	194 111
Finance lease obligation	13	-	94 953
Consumer Deposits	14	801 236	818 351
Payables from exchange transactions	15	91 374 803	72 826 262
Employee benefit obligation	16	532 400	515 100
Unspent conditional grants and receipts	17	24 513 703	31 220 077
		117 445 706	105 668 854
Non-Current Liabilities			
Other financial liabilities	12	36 143 581	32 250 785
Finance lease obligation	13	-	429 983
Employee benefit obligation	16	5 661 500	5 321 900
Provisions	18	14 266 593	12 842 373
		56 071 674	50 845 041
Total Liabilities		173 517 380	156 513 895
Net Assets		503 386 690	479 549 666
Accumulated surplus	19	503 386 690	479 549 666

* See Note 42

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Statement of Financial Performance

Figures in Rand	Note(s)	2018	2017 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	20	67 299 066	60 307 071
Rental of facilities and equipment	21	594 159	736 212
Licences and permits		1 631	1 557
Other income	22	368 257	434 668
Sale of Blesbok		-	9 649
Interest received - investment	23	3 206 029	3 660 080
Fair value adjustments		32 726	-
Actuarial gains		219 600	576 500
Gain on biological assets and agricultural produce		43 345	111 725
Dividends received	23	-	9 505
Total revenue from exchange transactions		71 764 813	65 846 967
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	24	7 694 858	10 395 461
Transfer revenue			
Government grants & subsidies	25	129 003 369	104 809 774
Public contributions and donations	26	6 554 761	5 172 753
Fines, Penalties and Forfeits		48 400 510	26 704 782
Total revenue from non-exchange transactions		191 653 498	147 082 770
Total revenue		263 418 311	212 929 737
Expenditure			
Employee related costs	27	(67 392 782)	(61 698 815)
Remuneration of councillors	28	(3 745 840)	(3 406 365)
Administration		(21 138)	(120 831)
Depreciation and amortisation	29	(22 865 258)	(27 110 628)
Impairment loss/ Reversal of impairments	30	(288 620)	(3 131 407)
Finance costs	31	(8 604 587)	(7 156 232)
Lease rentals on operating lease		(413 918)	(170 697)
Debt Impairment	32	(75 303 033)	(62 724 315)
Bulk purchases	33	(24 245 674)	(25 111 920)
Contracted services	34	(6 213 108)	(5 312 107)
Transfers and Subsidies	35	-	(2 700)
Loss on disposal of assets and liabilities		(1 150 663)	(1 041 190)
Fair value adjustments		-	(10 648)
General Expenses	36	(29 336 666)	(25 181 365)
Total expenditure		(239 581 287)	(222 179 220)
Surplus (deficit) for the year		23 837 024	(9 249 483)

* See Note 42

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Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2016	449 449 261	449 449 261
Changes in net assets		
Prior year adjustments	36 757 411	36 757 411
Prior year adjustments - Cash and bank	2 592 477	2 592 477
Net income (losses) recognised directly in net assets	39 349 888	39 349 888
Surplus for the year	(9 249 483)	(9 249 483)
Total recognised income and expenses for the year	30 100 405	30 100 405
Total changes	30 100 405	30 100 405
Restated* Balance at 01 July 2017	479 549 666	479 549 666
Changes in net assets		
Surplus for the year	23 837 024	23 837 024
Total changes	23 837 024	23 837 024
Balance at 30 June 2018	503 386 690	503 386 690

* See Note 42

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Cash Flow Statement

Figures in Rand	Note(s)	2018	2017 Restated*
Cash flows from operating activities			
Receipts			
Cash receipts from customers		14 277 626	11 362 452
Grants		122 296 995	130 785 940
Interest income		3 206 029	3 660 080
Dividends received		-	9 505
		<u>139 780 650</u>	<u>145 817 977</u>
Payments			
Employee costs		(57 638 758)	(55 850 528)
Remuneration of councillors		(3 745 840)	(3 406 365)
Suppliers		(21 817 483)	(29 820 950)
Finance costs		(8 536 441)	(7 078 532)
		<u>(91 738 522)</u>	<u>(96 156 375)</u>
Net cash flows from operating activities	37	<u>48 042 128</u>	<u>49 661 602</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(59 325 230)	(40 139 634)
Cash flows from financing activities			
Finance lease payments		110 277	282 663
Repayment of borrowings		(202 022)	(180 254)
Net cash flows from financing activities		<u>(91 745)</u>	<u>102 409</u>
Net increase/(decrease) in cash and cash equivalents		<u>(11 374 847)</u>	<u>9 624 377</u>
Cash and cash equivalents at the beginning of the year		15 953 253	6 328 876
Cash and cash equivalents at the end of the year	7	<u>4 578 406</u>	<u>15 953 253</u>

* See Note 42

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	60 339 000	1 111 000	61 450 000	67 299 066	5 849 066	N1
Rental of facilities and equipment	893 000	-	893 000	594 159	(298 841)	N2
Interest received (trading)	8 328 000	-	8 328 000	1 220 494	(7 107 506)	N3
Licences and permits	2 000	-	2 000	1 631	(369)	N4
Other income - (rollup)	15 123 000	388 000	15 511 000	368 257	(15 142 743)	N5
Interest received - investment	450 000	-	450 000	1 985 535	1 535 535	N6
Dividends received	10 000	-	10 000	-	(10 000)	N7
Total revenue from exchange transactions	85 145 000	1 499 000	86 644 000	71 469 142	(15 174 858)	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	7 501 000	121 000	7 622 000	7 694 858	72 858	
Transfer revenue						
Government grants & subsidies	58 955 000	-	58 955 000	129 003 369	70 048 369	N8
Public contributions and donations	-	-	-	6 554 761	6 554 761	N9
Fines, Penalties and Forfeits	18 000 000	-	18 000 000	48 400 510	30 400 510	N10
Transfers & subsidies	68 236 000	(68 236 000)	-	-	-	
Total revenue from non-exchange transactions	152 692 000	(68 115 000)	84 577 000	191 653 498	107 076 498	
Total revenue	237 837 000	(66 616 000)	171 221 000	263 122 640	91 901 640	
Expenditure						
Personnel	(64 852 000)	(4 286 000)	(69 138 000)	(67 392 782)	1 745 218	
Remuneration of councillors	(4 109 000)	189 000	(3 920 000)	(3 745 840)	174 160	
Administration	-	-	-	(21 138)	(21 138)	N11
Depreciation and amortisation	(26 864 000)	314 000	(26 550 000)	(22 865 258)	3 684 742	N12
Impairment loss/ Reversal of impairments	-	-	-	(288 620)	(288 620)	N13
Finance costs	(1 400 000)	(2 576 000)	(3 976 000)	(8 604 587)	(4 628 587)	N14
Lease rentals on operating lease	-	-	-	(413 918)	(413 918)	N15
Debt Impairment	(20 047 000)	1 447 000	(18 600 000)	(75 303 033)	(56 703 033)	N16
Repairs and maintenance	(6 608 000)	-	(6 608 000)	(6 229 024)	378 976	
Bulk purchases	(22 608 000)	-	(22 608 000)	(24 245 674)	(1 637 674)	
Contracted Services	(150 000)	(5 287 000)	(5 437 000)	(6 213 108)	(776 108)	N17
General Expenses	(28 923 000)	14 524 000	(14 399 000)	(23 107 642)	(8 708 642)	N18
Total expenditure	(175 561 000)	4 325 000	(171 236 000)	(238 430 624)	(67 194 624)	
Operating surplus	62 276 000	(62 291 000)	(15 000)	24 692 016	24 707 016	
Loss on disposal of assets and liabilities	-	-	-	(1 150 663)	(1 150 663)	N19
Fair value adjustments	-	-	-	32 726	32 726	N19

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Actuarial gains/losses	-	-	-	219 600	219 600	N19
Gain on biological assets and agricultural produce	-	-	-	43 345	43 345	N19
Transfers capital of nature	-	68 236 000	68 236 000	-	(68 236 000)	N19
	-	68 236 000	68 236 000	(854 992)	(69 090 992)	
Surplus before taxation	62 276 000	5 945 000	68 221 000	23 837 024	(44 383 976)	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	62 276 000	5 945 000	68 221 000	23 837 024	(44 383 976)	

Statement of Financial Position

Assets

Current Assets

Inventories	809 000	-	809 000	957 982	148 982	A1
Receivables from exchange transactions	4 397 000	-	4 397 000	5 896 508	1 499 508	A2
Receivables from non-exchange transactions	24 078 000	-	24 078 000	17 500 403	(6 577 597)	A3
VAT receivable	-	-	-	24 964 658	24 964 658	A4
Cash and cash equivalents	6 709 000	-	6 709 000	4 578 406	(2 130 594)	A5
	35 993 000	-	35 993 000	53 897 957	17 904 957	

Non-Current Assets

Biological assets that form part of an agricultural activity	284 000	-	284 000	423 250	139 250	A6
Investment property	22 177 000	-	22 177 000	55 869 000	33 692 000	A7
Property, plant and equipment	541 934 000	-	541 934 000	566 340 157	24 406 157	
Other financial assets	373 000	-	373 000	373 706	706	
	564 768 000	-	564 768 000	623 006 113	58 238 113	
Total Assets	600 761 000	-	600 761 000	676 904 070	76 143 070	

Liabilities

Current Liabilities

Other financial liabilities	-	-	-	223 564	223 564	A8
Finance lease obligation	399 000	-	399 000	-	(399 000)	A9
Consumer Deposits	863 000	-	863 000	801 236	(61 764)	
Payables from exchange transactions	92 307 000	-	92 307 000	91 374 803	(932 197)	
Employee benefit obligation	538 000	-	538 000	532 400	(5 600)	
Unspent conditional grants and receipts	-	-	-	24 513 703	24 513 703	A10
	94 107 000	-	94 107 000	117 445 706	23 338 706	

Non-Current Liabilities

Other financial liabilities	26 550 000	-	26 550 000	36 143 581	9 593 581	A11
Employee benefit obligation	-	-	-	5 661 500	5 661 500	A12
Provisions	14 859 000	-	14 859 000	14 266 593	(592 407)	

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
	41 409 000	-	41 409 000	56 071 674	14 662 674	
Total Liabilities	135 516 000	-	135 516 000	173 517 380	38 001 380	
Net Assets	465 245 000	-	465 245 000	503 386 690	38 141 690	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	465 245 000	-	465 245 000	503 386 690	38 141 690	

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Cash receipts from customers	76 151 500	896 000	77 047 500	14 277 626	(62 769 874)	N1,N2,N4,N5, N9,N10
Grants	127 191 000	-	127 191 000	122 296 995	(4 894 005)	N8
Interest received	4 198 000	-	4 198 000	3 206 029	(991 971)	N3,N6
Dividends	10 000	-	10 000	-	(10 000)	N7
	207 550 500	896 000	208 446 500	139 780 650	(68 665 850)	
Payments						
Suppliers and employees	(120 642 000)	(1 468 000)	(122 110 000)	(83 202 081)	38 907 919	N11,N12,N13, N15,N16,N17, N18
Finance costs	(1 400 000)	(2 576 000)	(3 976 000)	(8 536 441)	(4 560 441)	N14
	(122 042 000)	(4 044 000)	(126 086 000)	(91 738 522)	34 347 478	
Net cash flows from operating activities	85 508 500	(3 148 000)	82 360 500	48 042 128	(34 318 372)	
Cash flows from investing activities						
Purchase of property, plant and equipment	(68 672 000)	-	(68 672 000)	(59 325 230)	9 346 770	
Cash flows from financing activities						
Repayment of borrowing	(276 000)	-	(276 000)	(202 022)	73 978	
Finance lease payments	-	-	-	110 277	110 277	
Net cash flows from financing activities	(276 000)	-	(276 000)	(91 745)	-	
Net increase/(decrease) in cash and cash equivalents	16 560 500	(3 148 000)	13 412 500	(11 374 847)	(24 971 602)	
Cash and cash equivalents at the beginning of the year	13 991 000	-	13 991 000	15 953 253	1 962 253	
Cash and cash equivalents at the end of the year	30 551 500	(3 148 000)	27 403 500	4 578 406	(23 009 349)	

The accounting policies on pages 18 to 46 and the notes on pages 47 to 98 form an integral part of the annual financial statements.

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Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2018											
Financial Performance											
Property rates	7 501 000	121 000	7 622 000	-		7 622 000	7 694 858		72 858	101 %	103 %
Service charges - N1	60 339 000	1 111 000	61 450 000	-		61 450 000	67 299 066		5 849 066	110 %	112 %
Investment revenue - N3 + N6	8 778 000	-	8 778 000	-		8 778 000	3 206 029		(5 571 971)	37 %	37 %
Transfers recognised - operational	58 955 000	-	58 955 000	-		58 955 000	58 955 000		-	100 %	100 %
Other own revenue - N2 + N4 + N5 + N9 + N10	34 027 000	389 000	34 416 000	-		34 416 000	56 214 989		21 798 989	163 %	165 %
Total revenue (excluding capital transfers and contributions)	169 600 000	1 621 000	171 221 000	-		171 221 000	193 369 942		22 148 942	113 %	114 %
Employee costs	(64 852 000)	(4 286 000)	(69 138 000)	-	-	(69 138 000)	(67 392 782)	-	1 745 218	97 %	104 %
Remuneration of councillors	(4 109 000)	189 000	(3 920 000)	-	-	(3 920 000)	(3 745 840)	-	174 160	96 %	91 %
Debt impairment - N16	(20 047 000)	1 447 000	(18 600 000)			(18 600 000)	(75 303 033)	-	(56 703 033)	405 %	376 %
Depreciation and asset impairment - N12 + N13	(26 864 000)	314 000	(26 550 000)			(26 550 000)	(23 153 878)	-	3 396 122	87 %	86 %
Finance charges - N14	(1 400 000)	(2 576 000)	(3 976 000)	-	-	(3 976 000)	(8 604 587)	-	(4 628 587)	216 %	615 %
Materials and bulk purchases	(22 608 000)	(6 608 000)	(29 216 000)	-	-	(29 216 000)	(24 245 674)	-	4 970 326	83 %	107 %
Other expenditure - N18	(29 072 000)	9 236 000	(19 836 000)	-	-	(19 836 000)	(37 135 493)	-	(17 299 493)	187 %	128 %
Total expenditure	(168 952 000)	(2 284 000)	(171 236 000)	-	-	(171 236 000)	(239 581 287)	-	(68 345 287)	140 %	142 %
Surplus/(Deficit)	648 000	(663 000)	(15 000)	-		(15 000)	(46 211 345)		(46 196 345)	308 076 %	(7 131) %

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Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital - N8	-	68 236 000	68 236 000	-		68 236 000	70 048 369		1 812 369	103 %	DIV/0 %
Surplus (Deficit) after capital transfers and contributions	648 000	67 573 000	68 221 000	-		68 221 000	23 837 024		(44 383 976)	35 %	3 679 %
Surplus/(Deficit) for the year	648 000	67 573 000	68 221 000	-		68 221 000	23 837 024		(44 383 976)	35 %	3 679 %

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Appropriation Statement

Figures in Rand

Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
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Significant variances are explained below:

N1 - The increase in service charges are brought on mainly by the increase in water billings. As water usage are dependant on the needs of the consumers, the Municipality are unable to accurately budget for said expenditure and thus the difference between the budgeted and actual amounts pertaining to service charges.

N2 - The rental income generated through the rental of municipal facilities are informed by the need of the community for such facilities. The budget was based on usage of municipal assets in prior years.

N3 - The significant difference in Interest received on outstanding debtors balances are due to the fact that the Municipality had experienced difficulties with the conversion to mSCOA leading the Municipality to be unable to issue consumer accounts to customers on time. Due to the delay in the processing and distributing of consumer accounts, Council took a resolution to write back any interests levied on current outstanding amounts until such time that the system is functional and all capturing are up to date.

N4 - As this is merely a budgeted figure informed by prior years, the Municipality cannot anticipate the number of licenses and permits for which there will be applied by Consumers during the year under review.

N5 - The significant difference in other income is mainly due to the approximately R 10 million of input VAT that the Municipality are still awaiting to receive from the South African Revenue Services. This amount is currently under audit by SARS and are expected to be refunded to the Municipality shortly.

N6 - Interest received on Investments are in excess of the budgeted amount as the funding received for conditional grants were not spent as per the initial projections and the turnaround on amounts received from transferring agents to the point where creditors were paid were longer than anticipated and hence a larger amount of interest was received.

N7 - No dividends was declared by OVK on the shares that the Municipality holds in the company for the year under review. The amount included in the budget was based on dividends declared in previous financial years.

N8 - The variance is due to the fact that the budgeted amount relates only to operational grants and the total amount recognised as grant revenue includes capital grant receipts recognised as revenue when the criteria for said recognition is met.

N9 - This actual figure relates to a donation received from FSPT in respect of the Municipalities long outstanding audit fees. This amount was paid to the Auditor General of South Africa on behalf of Mohokare Local Municipality. As the Municipality was unaware of the possibility of such a donation at the time of the preparation of both the original and adjustment budgets, we were unable to budget in accordance for the amount received in kind.

N10 - Fines Penalties and Forfeits relates to Traffic Fines Revenue. The amount budgeted for traffic fines issued was far exceeded by the amount of actual fines issued by the Traffic Department.

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Figures in Rand

Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
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N11 - This figure relates to an amount from the CENTLEC SOC Consolidation. In the case of this amount the variance is significant, however the amount is not and the reason for the variance is inadequate budgeting by Mohokare LM.

N12 - The difference between the amount of budget and actual for Depreciation and Amortisation are due to inaccurate budgeting for depreciation charges for the year.

N13 - This amount's budget has been included in the budget for Depreciation and Amortisation

N14 - The variance in Finance Costs are mainly due to the high interest charges on outstanding contributions to Pension and Provident Funds as well as the late payment of other trade creditors.

N15 - Operating lease expenses are mainly for the rental of Yellow Fleet to assist with service delivery as and when necessary. Further included in this amount is the rental of a Mayoral vehicle for the time period when the Mayor's vehicle's hijacking was under investigation by the Insurer.

N16 - This variance is due to inaccurate budgeting. The high rate of debt impairment was not taken into account. This can also be seen in the underbudgeting for the impairment expense on the statement of financial performance.

N17 - This variance is due to inaccurate budgeting.

N18 - This variance is due to inaccurate budgeting and will be investigated on a line by line basis by the Municipality

N19 - This variance is due to inaccurate budgeting.

A1 - This variance is brought on by sites which was previously classified as Investment Property that has been put up for auction by the Municipality. Said sites had to be reclassified to Inventory.

A2 - The increase in Receivables from exchange transactions are influenced by the fact that the Municipality did not send out consumer accounts on time during the financial year under review causing a decrease in the payment rate by Consumers which in effect lead to an increase in the balance of Receivables from Exchange Transactions.

A3 - The increase in Receivables from non-exchange transactions are influenced by the fact that the Municipality did not send out consumer accounts on time during the financial year under review causing a decrease in the payment rate by Consumers which in effect lead to an increase in the balance of Receivables from Non-Exchange Transactions. This variance is also affected by the increase in Traffic Fines issued by the Municipality during the year causing the increase in Traffic fine Debtors at year end.

A4 - This variance is due to inaccurate budgeting. Included in the variance is an amount of approximately R 10 million of input VAT that the Municipality are still awaiting to receive from the South African Revenue Services. This amount is currently under audit by SARS and are expected to be refunded to the Municipality shortly.

A5 -Due to the cash flow constraints experienced by the Municipality, the Cash balance at year end was lower than anticipated.

A6 - The variance in the balance relating to Biological assets are informed by the significant increase in the market value of Cattle. The Municipality was unable to anticipate such an increase.

A7 - The variance in the value of Investment Property are due to the Fair Value adjustment processed on the values of Investment Properties of the Municipality.

A8 - This variance is due to the reclassification of the current portion of the DBSA Loan.

A9 - This variance is due to the fact that the vehicle for which the finance lease was entered into was hijacked during the year under review and the outstanding balance of the finance lease was settled by the Insurance. Therefore the actual amount is zero at 30 June 2018.

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Figures in Rand

Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
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A10 - The variance in unspent conditional grants and receipts are due to the fact that spending on capital projects did not take place as anticipated.

A11 - The variance is due to the CENTLEC SOC payable which arises from the consolidation of the figures pertaining to Mohokare Local Municipality. As the Municipality has no control over these amounts, accurate budgeting is problem.

A12 - The variance in terms of employee benefit obligations are due to inaccurate budgeting.

All changes between the approved and final budget are a consequence of reallocations within the budget.

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Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.3 Significant judgements and sources of estimation uncertainty

In the application of the municipality's accounting policies, which are described below, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements and estimations that management have made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in Annual Financial Statements:

Financial assets and liabilities

The classification of financial assets and liabilities, into categories, is based on judgement by management. Accounting Policy 8.1 on Financial Assets Classification and Accounting Policy 8.2 on Financial Liabilities Classification describe the factors and criteria considered by the management of the municipality in the classification of financial assets and liabilities.

In making the above-mentioned judgement, management considered the definition and recognition criteria for the classification of financial instruments as set out in GRAP 104: Financial Instruments.

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Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

The Accounting Policy on Impairment of Financial Assets describes the process followed to determine the value by which financial assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of financial assets as set out in GRAP 104: Financial Instruments and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the municipality is satisfied that the impairment of financial assets recorded during the year is appropriate.

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 18 - Provisions.

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:

- (a) changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- (b) the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- (c) if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

The Municipality has an obligation to rehabilitate its landfill sites in terms of its license stipulations. Provision is made for this obligation based on the net present value of cost. The cost factors as determined have been applied and projected at an inflation rate of 4.08% (2017: 6%) and discounted to the present value at the average long-term treasury bond rate which were adjusted for specific risk factors as stated below.

	Zastron	Matlakeng	Rouxville	Smithfield
Long term treasury bond rate	9,60	9,48 %	9,60 %	9,60 %
Adjusted for:				
Landfill site not fenced off	0,20	0,20 %	0,20 %	0,20 %
No weight bridge/ track kept of vehicles entering the site	0,20	0,20 %	0,20 %	0,20 %
Records were made available	0,40	0,40 %	0,40 %	0,40 %
No end use plan for any sites	0,40	0,40 %	0,40 %	0,40 %
No traces of medical waste identified	(0,08)	(0,08)%	(0,08)%	(0,08)%
All sites have valid licenses	0,40	0,40 %	0,40 %	0,40 %
	11,12	11,00 %	11,12 %	11,12 %

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Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Water inventory

The estimation of the water stock in the reservoirs is based on the measurement of water via manual level meters, where the level indicates the depth of the water in the reservoir, which is then converted into volumes based on the total capacity of the relevant reservoir.

Defined Benefit Plan Liabilities

As described in the Accounting Policy on Employee Benefits, the municipality obtains actuarial valuations of its defined benefit plan liabilities. The defined benefit obligations of the municipality that were identified are Post-retirement Health Benefit Obligations and Long-service Awards. The estimated liabilities are recorded in accordance with the requirements of GRAP 25. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in Note 16 to the Annual Financial Statements.

Budget information

Deviations between budget and actual amounts are regarded as material differences when a 10% deviation exists. All material differences are explained in the notes to the annual financial statements.

Revenue Recognition

The Accounting Policy on Revenue from Exchange Transactions and the Accounting on Revenue from Non-exchange Transactions describes the conditions under which revenue will be recorded by the management of the municipality.

In making their judgement, the management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange transactions. In particular, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services is rendered, whether the service has been rendered. Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

Useful lives of Property, Plant and Equipment and Intangible assets

As described in the Accounting Policies relating to assets, the municipality depreciates / amortises its property, plant and equipment, investment property and intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use. The useful lives of assets are based on management's estimation. Management considered the impact of technology, availability of capital funding, service requirements and required return on assets in order to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is based on management's judgement as to whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

Impairment: Write down of Property, Plant and Equipment, Intangible assets, Heritage assets and Inventory

The Accounting Policy on PPE - Impairment of assets and the Accounting Policy on Intangible assets - Subsequent Measurement, Amortisation and Impairment and the Accounting Policy pertaining to Inventory - Subsequent measurement describes the conditions under which non-financial assets are tested for potential impairment losses by the management of the municipality. Significant estimates and judgements are made relating to PPE impairment testing, Intangible assets impairment testing and write down of Inventories to the lowest of Cost and Net Realisable Values (NRV).

In making the above-mentioned estimates and judgement, management considered the subsequent measurement criteria and indicators of potential impairment losses as set out in GRAP 21: Impairment of Cash generating Assets and GRAP 26: Impairment of non-Cash generating Assets. In particular, the calculation of the recoverable service amount for PPE and intangible assets and the NRV for inventories involves significant judgment by management.

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Accounting Policies

1.4 Biological assets that form part of an agricultural activity

A biological asset is described as a living animal or plant which is under the control of the Municipality wherefore the fair value or cost can be determined reliably.

The entity recognises a biological assets that form part of an agricultural activity or agricultural produce when, and only when:

- the entity controls the asset as a result of past events;
- it is probable that future economic benefits or service potential associated with the asset will flow to the municipality; and
- the fair value or cost of the asset can be measured reliably.

Biological assets that form part of an agricultural activity are measured at their fair value less costs to sell.

The fair value of livestock is determined based on market prices of livestock of similar age, breed, and genetic merit.

A gain or loss arising on initial recognition of biological assets that form part of an agricultural activity or agricultural produce at fair value less costs to sell and from a change in fair value less costs to sell of a biological assets that form part of an agricultural activity is included in surplus or deficit for the period in which it arises.

1.5 Investment property

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

Assets capitalised under finance leases are depreciated over their expected useful lives on the same basis as PPE controlled by the entity or where shorter, the term of the relevant lease if there is no reasonable certainty that the municipality will obtain ownership by the end of the lease term.

Land is not depreciated as it is deemed to have an indefinite useful life.

Based on management's judgement, the following criteria have been applied to distinguish investment properties from owner occupied property or property held for resale:

- All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as Investment Properties;
- Land held for a currently undetermined future use. (If the Municipality has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of business, the land is regarded as held for capital appreciation);
- A building owned by the entity (or held by the entity under a finance lease) and leased out under one or more operating leases (this will include the property portfolio rented out by the Housing Board on a commercial basis on behalf of the municipality); and
- A building that is vacant but is held to be leased out under one or more operating leases on a commercial basis to external parties.

The following assets do not fall in the ambit of Investment Property and shall be classified as Property, Plant and Equipment, Inventory or Non-Current Assets Held for Sale, as appropriate:

- Property intended for sale in the ordinary course of operations or in the process of construction or development for such sale;
- Property being constructed or developed on behalf of third parties;
- Owner-occupied property, including (among other things) property held for future use as owner-occupied property, property held for future development and subsequent use as owner-occupied property, property occupied by employees such as housing for personnel (whether or not the employees pay rent at market rates) and owner-occupied property awaiting disposal;
- Property that is being constructed or developed for future use as investment property;
- Property that is leased to another entity under a finance lease;

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Accounting Policies

1.5 Investment property (continued)

- Property held to provide a social service and which also generates cash inflows, e.g. property rented out below market rental to sporting bodies, schools, low income families, etc; and
- Property held for strategic purposes or service delivery.

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

1.6 Property, plant and equipment

Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

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Accounting Policies

1.6 Property, plant and equipment (continued)

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Subsequent Measurement

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the entity and the cost of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all property plant and equipment, excluding properties held for transfer, are measured at cost, less accumulated depreciation and accumulated impairment losses.

Subsequent to initial recognition infrastructure are carried at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in surplus or deficit when the compensation becomes receivable.

Depreciation

Land is not depreciated as it is regarded as having an unlimited life. Depreciation on assets other than land is calculated on cost, using the straight line method, to allocate their cost or revalued amounts to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately. The depreciation rates are based on the following estimated useful lives.

Depreciation only commences when the asset is available for use, unless stated otherwise.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Land		Infinite
Buildings	Straight line	20 - 100 years
Motor vehicles	Straight line	7 - 10 years
Office equipment	Straight line	4 - 7 years
Furniture and fittings	Straight line	4 - 7 years

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Accounting Policies

1.6 Property, plant and equipment (continued)

Infrastructure - Electricity	Straight line	45 - 50 years
• Mini-sub	Straight line	45 years
• MV Power Transformer	Straight line	45 years
• MV Switch gear - circuit breaker	Straight line	45 years
• MV Switch gear - isolating link	Straight line	30 years
• Circuit breaker panel	Straight line	50 years
• Battery charger	Straight line	45 years
Infrastructure - Roads and paving	Straight line	10 - 50 years
• Road surface - Gravel	Straight line	10 years
• Road structural layer (access)	Straight line	25 - 40 years
• Road surface - Bituminous	Straight line	30 - 40 years
• Road structural layer - Collector	Straight line	50 years
• Road structural layer - Distributor	Straight line	30 years
• Road surface - Concrete block	Straight line	30 years
Water	Straight line	20 - 80 years
Sewerage	Straight line	40 - 80 years
Landfill Sites	Straight line	5 - 100 years
Community	Straight line	5 - 80 years
• Recreational facilities	Straight line	15 - 80 years
• Security	Straight Line	5 years
Bins and containers	Straight line	4 years
Specialised property, plant and equipment	Straight line	10 years

The residual value and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Incomplete Construction Work

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is available for use.

Finance Leases

Assets capitalised under finance leases are depreciated over their expected useful lives on the same basis as PPE controlled by the entity, or where shorter, the term of the relevant lease if there is no reasonable certainty that the municipality will obtain ownership by the end of the lease term.

Land

Land is not depreciated as it is deemed to have an indefinite useful life.

Infrastructure Assets

Infrastructure Assets are any assets that are part of a network of similar assets. Infrastructure assets are shown at cost less accumulated depreciation and accumulated impairment. Infrastructure assets are treated similarly to all other assets of the municipality in terms of the asset management policy.

Derecognition of property, plant and equipment

The carrying amount of an item of property, plant and equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised.

Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated depreciation and accumulated impairment losses) and the disposal proceeds is included in the Statement of Financial Performance as a gain or loss on disposal of property, plant and equipment.

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Accounting Policies

1.6 Property, plant and equipment (continued)

Site restoration and dismantling cost

The entity has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located and the obligation which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

if the related asset is measured using the cost model:

(a) subject to (b), changes in the liability are added to, or deducted from the cost of the related asset in the current period;
(b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and

(c) if the adjustment results in an addition to the cost of an asset, the entity considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

1.7 Intangible assets

Initial Recognition

Identifiable non-monetary assets without physical substance are classified and recognised as intangible assets. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when the following criteria are fulfilled:

- it is technically feasible to complete the intangible asset so that it will be available for use;
- management intends to complete the intangible asset and use or sell it;
- it can be demonstrated how the intangible asset will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- the expenditure attributable to the intangible asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life, not exceeding five years. Development assets are tested for impairment annually, in accordance with GRAP 21 / GRAP 26.

Intangible assets are initially recognised at cost. The cost of an intangible asset is the purchase price and other costs attributable to bring the intangible asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality, or where an intangible asset is acquired at no cost, or for a nominal cost, the cost shall be its fair value as at the date of acquisition. Trade discounts and rebates are deducted in arriving at the cost. Intangible assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses. The cost of an intangible asset acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up. If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Subsequent Measurement, Amortisation and Impairment

After initial recognition, an intangible asset is carried at its cost less any accumulated amortisation and any accumulated impairment losses.

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1.7 Intangible assets (continued)

Expenditure on an intangible item that was initially recognised as an expense shall not be recognised as part of the cost of an intangible asset at a later date.

In terms of GRAP 102, intangible assets are distinguished between internally generated intangible assets and other intangible assets. It is further distinguished between indefinite or finite useful lives. Amortisation is charged on a straight-line basis over the intangible assets' useful lives (when the intangible asset is available for use), which are estimated to be between 3 to 5 years, the residual value of assets with finite useful lives is zero, unless an active market exists. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised, however such intangible assets are subject to an annual impairment test.

Intangible assets are annually tested for impairment, including intangible assets not yet available for use. Where items of intangible assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation. The impairment loss is the difference between the carrying amount and the recoverable amount.

The estimated useful life, residual values and amortisation method are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively as a change in accounting estimate in the Statement of Financial Performance.

Derecognition

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the net disposals proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.8 Heritage assets

A heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance, and is held and preserved indefinitely for the benefit of present and future generations.

Initial Recognition

The cost of an item of heritage assets is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

Heritage assets are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of heritage asset is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of heritage assets acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

Subsequent Measurement

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1.8 Heritage assets (continued)

Subsequent expenditure relating to heritage assets is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the entity and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all heritage assets are measured at cost, less accumulated impairment losses. Heritage assets are not depreciated.

Derecognition of Heritage assets

The carrying amount of an item of heritage assets is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of heritage assets is included in surplus or deficit when the item is derecognised.

Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated impairment losses) and the disposal proceeds is included in the Statement of Financial Performance as a gain or loss on disposal of heritage assets.

1.9 Financial instruments

The municipality has various types of financial instruments and these can be broadly categorised as either financial assets, financial liabilities or residual interests in accordance with the substance of the contractual agreement. The municipality only recognises a financial instrument when it becomes a party to the contractual provisions of the instrument.

Initial Recognition

Financial assets and financial liabilities are recognised on the entity's Statement of Financial Position when the entity becomes party to the contractual provisions of the instrument.

The Entity does not offset a financial asset and a financial liability unless a legally enforceable right to set off the recognised amounts currently exist; and the entity intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Fair value model and assumptions

The fair values of financial instruments are determined as follows:

The fair values of quoted investments are based on current bid prices.

If the market for a financial asset is not active (and for unlisted securities), the company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Amortised Cost

The entity uses an appropriate interest rate, taking into account guidance provided in the standards, and applying professional judgement to the specific circumstances, to discount future cash flows. The entity used the following in arriving at the effective interest rate used:

Consideration 1 - Base rate used as starting point - Prime lending rate

Consideration 2 - Adjustments for industry risk - None

Consideration 3 - Adjustment for entity risk - None

Financial Assets - Classification

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1.9 Financial instruments (continued)

A financial asset is any asset that is a cash or contractual right to receive cash.

In accordance with GRAP 104 the Financial Assets of the municipality are classified as follows into the three categories allowed by this standard:

Financial asset at amortised cost are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current assets. Financial asset at amortised cost are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. After initial recognition Financial Assets are measured at amortised cost, using the effective interest rate method less a provision for impairment.

Financial assets measured at fair value are financial assets that meet either of the following conditions:

- (a) derivatives;
- (b) combined instruments that are designated at fair value
- (c) instruments held for trading.
- (d) non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; or
- (e) financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Financial assets measured at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

The municipality has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereto:

Type of Financial Asset:	Classification in terms of GRAP 104
Short term investment deposits	Financial Asset at amortised cost
Bank balances and cash	Financial Asset at amortised cost
Non-current investments	Financial Asset at fair value
Consumer debtors	Financial Asset at amortised cost
Other debtors	Financial Asset at amortised cost
Traffic Fine Debtors	Financial Asset at cost
Investments in fixed deposits	Financial Asset at amortised cost

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: Financial asset at amortised cost.

Financial liabilities - Classification

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1.9 Financial instruments (continued)

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity.

There are three main categories of Financial Liabilities, the classification determining how they are measured. Financial liabilities may be measured at:

- (i) Financial liabilities measured at fair value or
- (ii) Financial liabilities measured at amortised cost
- (iii) Financial liabilities measured at cost

The municipality has the following types of financial liabilities as reflected on the face of the Statement of Financial Position or in the notes thereto:

Type of Financial Liability:	Classification in terms of GRAP 104
Long-term Liabilities (excluding Centlec Payable)	Financial Liability at cost
Long-term Liabilities (Centlec Payable)	Financial Liability at cost
Other creditors	Financial Liability at amortised cost
Bank overdraft	Financial Liability at amortised cost
Short term loans	Financial Liability at amortised cost
Current portion of long term liabilities	Financial Liability at amortised cost

Financial liabilities that are measured at fair value are financial liabilities that are essentially held for trading (i.e. purchased with the intention to sell or repurchase in the short term; derivatives other than hedging instruments or are part of a portfolio of financial instruments where there is recent actual evidence of short-term profiteering or are derivatives).

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

Initial and subsequent measurement

Financial assets

Financial asset at amortised cost are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, these assets are measured at amortised cost using the Effective Interest Method less any impairment, with interest recognised on an effective yield basis.

Financial Assets measured at fair value are initially measured at fair value plus directly attributable transaction costs. They are subsequently measured at fair value with unrealised gains or losses recognised directly in equity until the investment is derecognised, at which time the cumulative gain or loss recorded in equity is recognised in the statement of financial performance, or determined to be impaired, at which time the cumulative loss recorded in equity is recognised in the statement of financial performance.

Financial liabilities

Financial liabilities measured at fair value:

Financial liabilities measured at fair value are stated at fair value, with any resulted gain or loss recognised in the Statement of Financial Performance.

Financial liabilities measured at amortised cost:

Any other financial liabilities are classified as "Other financial liabilities" (All payables, loans and borrowings are classified as other liabilities) and are initially measured at fair value, net of transaction costs. Trade and other payables, including consumer deposits, interest bearing debt including finance lease liabilities, non-interest bearing debt and bank borrowings are subsequently measured at amortised cost using the effective interest rate method. Interest expense is recognised in the Statement of Financial Performance by applying the effective interest rate.

Bank borrowings, consisting of interest-bearing short-term bank loans, repayable on demand and overdrafts are recorded at the proceeds received. Finance costs are accounted for using the accrual basis and are added to the carrying amount of the bank borrowing to the extent that they are not settled in the period that they arise.

Prepayments are carried at cost less any accumulated impairment losses.

Impairment of financial assets

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1.9 Financial instruments (continued)

Financial assets, other than those measured at fair value, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with GRAP 104.

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1.9 Financial instruments (continued)

Financial assets carried at amortised cost

Accounts receivables encompasses long term debtors, consumer debtors and other debtors.

Initially Accounts Receivable are valued at fair value and subsequently carried at amortised cost using the effective interest rate method. An estimate is made for doubtful debt based on past default experience of all outstanding amounts at year-end. Bad debts are written off the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the date of reporting are classified as current.

A provision for impairment of accounts receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The provision is made in accordance with GRAP 104 whereby the recoverability of accounts receivable is assessed individually and then collectively after grouping the assets in financial assets with similar credit risk characteristics. The amount of the provision is the difference between the financial asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Cash flows relating to short-term receivables are not discounted where the effect of discounting is immaterial.

Government accounts are not provided for as such accounts are regarded as receivable.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets carried at amortised cost with the exception of consumer debtors, where the carrying amount is reduced through the use of an allowance account. When a consumer debtor is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against revenue. Changes in the carrying amount of the allowance account are recognised in the Statement of Financial Performance.

Impairment of Financial Assets measured at cost

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses shall not be reversed.

Derecognition of Financial Assets

The municipality derecognises Financial Assets only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of Financial Assets due to non recoverability.

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred financial asset, the municipality continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Derecognition of Financial Liabilities

The municipality derecognises Financial Liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.

The municipality recognises the difference between the carrying amount of the financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, in the Statement of Financial Performance.

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Accounting Policies

1.10 Leases

Lease Classification

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality.

Leases of property, plant and equipment, in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

The Municipality as Lessee

Finance leases

Where the Municipality enters into a finance lease, property, plant and equipment or Intangible Assets subject to finance lease agreements are capitalised at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Corresponding liabilities are included in the Statement of Financial Position as Finance Lease Liabilities. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases

The municipality recognises operating lease rentals as an expense in the statement of financial performance on a straight-line basis over the term of the relevant lease. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The Municipality as Lessor

Amounts due from lessees under finance leases or instalment sale agreements are recorded as receivables at the amount of the Municipality's net investment in the leases. Finance lease or instalment sale income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Municipality's net investment outstanding in respect of the leases or instalment sale agreements.

Operating lease rental income is recognised on a straight-line basis over the term of the relevant lease.

Determining whether an arrangement contains a lease

At inception of an arrangement, the Municipality determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Municipality the right to control the use of the underlying asset. At inception or upon reassessment of the arrangement, the Municipality separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Municipality concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Municipality's incremental borrowing rate.

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1.11 Inventories

Initial Recognition

Inventories comprise current assets held for sale, current assets for consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

Direct costs relating to properties that will be sold as inventory are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

Subsequent Measurement

Consumable stores, raw materials, work-in-progress and finished goods

Consumable stores are valued at the lower of cost and net realisable value (net amount that an entity expects to realise from the sale on inventory in the ordinary course of business). If inventories are to be distributed at no charge or for a nominal charge they are valued at the lower of cost and current replacement cost.

Water inventory

Water is regarded as inventory when the municipality purchases water in bulk with the intention to resell it to the consumers or to use it internally, or where the municipality has incurred purification costs on water obtained from natural resources (rain, rivers, springs, boreholes etc.). However, water in dams, that are filled by natural resources and that has not yet been treated, and is under the control of the municipality but can not be measured reliably as there is no cost attached to the water, and it is therefore not recognised in the statement of financial position.

The basis of determining the cost of water purchased and not yet sold at statement of financial position date comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventory to its present location and condition, net of trade discounts and rebates.

Water and purified effluent are valued by using the weighted average method, at the lowest of purified cost and net realisable value, insofar as it is stored and controlled in reservoirs at year-end.

Unsold properties

Unsold properties are measured at the lower of cost and the current replacement value as determined at year end.

Redundant and slow-moving inventories

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values and sold by public auction. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Differences arising on the measurement of such inventory at the lower of cost and net realisable value are recognised in the Statement of Financial Performance in the year in which they arise. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

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Accounting Policies

1.12 Impairment of cash-generating assets

The entity classifies all assets held with the primary objective of generating a commercial return as cash-generating assets. All other assets are classified as non-cash-generating assets.

Impairment of Cash generating assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the individual asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The best evidence of fair value less cost to sell is the price in a binding sale agreement in an arms length transaction, adjusted for the incremental cost that would be directly attributable to the disposal of the asset.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

An impairment of assets carried at revalued amount reduces the revaluation surplus for that asset. The decrease shall be debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

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1.12 Impairment of cash-generating assets (continued)

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

1.13 Impairment of non-cash-generating assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount is the higher of a non-cash generating asset's fair value less costs to sell and its value in use. The value in use for a non-cash generating asset is the present value of the asset's remaining service potential.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for non cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:
- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

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1.13 Impairment of non-cash-generating assets (continued)

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

1.14 Employee benefits

Short-term employee benefits

Remuneration to employees is recognised in the Statement of Financial Performance as the services are rendered, except for non-accumulating benefits, which are only recognised when the specific event occurs.

The municipality treats its provision for leave pay as an accrual.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a creditor in the Statement of Financial Position. The municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

Post employment benefits

The municipality provides retirement benefits for its employees and councillors, and has both defined benefit and defined contribution post employment plans.

Defined contribution plans

A defined contribution plan is a plan under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees. The municipality has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

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1.14 Employee benefits (continued)

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan.

Post-retirement Health Care Benefits:

The municipality has an obligation to provide Post-retirement Health Care Benefits to certain of its retirees. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The present value of the defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out every year by independent qualified actuaries.

Actuarial gains or losses recognised immediately in the Statement of Financial Performance.

Past-service costs are recognised immediately in the Statement of Financial Performance.

Long-service Allowance

The municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after every 5 years of continued service. The municipality's liability is based on an actuarial valuation. The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the statement of financial performance.

Provincially-administered Defined Benefit Plans

The municipality contributes to various National- and Provincial-administered Defined Benefit Plans on behalf of its qualifying employees. These funds are multi-employer funds. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. These defined benefit funds are actuarially valued triennially on the Projected Unit Credit Method basis. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

Defined benefit pension plans

The municipality has an obligation to provide Post-retirement pension Benefits to certain of its retirees. Pension contributions in respect of employees who were not members of a pension fund are recognised as an expense when incurred. Staff provident funds are maintained to accommodate personnel who, due to age, cannot join or be part of the various pension funds. The Entity contributes monthly to the funds.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains or losses are accounted for using the "corridor method". Actuarial gains and losses are eligible for recognition in the Statement of Financial Performance to the extent that they exceed 10 per cent of the present value of the gross defined benefit obligations in the scheme at the end of the previous reporting period. Actuarial gains and losses exceeding 10 per cent are spread over the expected average remaining working lives of the employees participating in the scheme.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

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Accounting Policies

1.15 Provisions and contingencies

Provisions

Provisions for environmental restoration, rehabilitation, restructuring costs and legal claims are recognised when the municipality has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the obligation.

The best estimate of the expenditure required to settle the present obligation is the amount that an entity would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time and are determined by the judgment of the management of the entity, supplemented by experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. Uncertainties surrounding the amount to be recognised as a provision are dealt with by various means according to the circumstances. Where the provision being measured involves a large population of items, the obligation is estimated by weighting all possible outcomes by their associated probabilities.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it - this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

Contingent liabilities

Contingent liabilities represent a possible obligation that arises from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not fully within the control of the entity.

A contingent liability can also arise as a result of a present obligation that arises from past events but which is not recognised as a liability either because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets

Contingent assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the annual financial statements.

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Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.15 Provisions and contingencies (continued)

Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.12 and 1.13.

If the related asset is measured using the revaluation model:

- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
 - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
 - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;
- in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit;
- a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit and net assets. If a revaluation is necessary, all assets of that class is revalued; and
- the Standard of GRAP on Presentation of Financial Statements requires disclosure on the face of the statement of changes in net assets of each item of revenue or expense that is recognised directly in net assets. In complying with this requirement, the change in the revaluation surplus arising from a change in the liability is separately identified and disclosed as such.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

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Accounting Policies

1.16 Commitments

Items are classified as commitments where the Municipality commits itself to future transactions that will normally result in the outflow of resources.

Capital commitments are not recognised in the statement of financial position as a liability but are included in the disclosure notes in the following cases:

- Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date, where disclosure is required by a specific standard of GRAP.
- Approved but not yet contracted commitments, where the expenditure has been approved and the contract has yet to be awarded or is awaiting finalisation at the reporting date.
- Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.
- Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure notes to the financial statements.
- Other commitments for contracts are to be non-cancellable or only cancellable at significant cost contracts should relate to something other than the business of the municipality.

1.17 Revenue from exchange transactions

General

Revenue, excluding value-added taxation where applicable, is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided. Revenue is recognised when it is probable that future economic benefits or service potential will flow to the municipality and these benefits can be measured reliably, except when specifically stated otherwise.

When considering the probability of the future economic benefits that will flow to the entity, consideration is given to the requirements as outlined in GRAP 1.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the municipality's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the municipality and when specific criteria have been met for each of the municipality's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Furthermore services rendered are recognised by reference to the stage of completion of the transaction at the reporting date.

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

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Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.17 Revenue from exchange transactions (continued)

Rendering of services

Service Charges

Service charges relating to solid waste, sanitation and sewage are levied in terms of the approved tariffs.

Service charges relating to electricity and water are based on consumption. Meters are normally read on a monthly basis and are recognised as revenue when invoiced. Where meters are not read monthly, provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Service charges from sewerage and sanitation are based on the type of service and the number of sewer connections on all developed property, using the tariffs approved by Council and are levied monthly.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

Pre-paid Electricity

Revenue from the sale of electricity pre-paid meter cards are recognised at the point of sale. An adjustment for an unutilised portion is made at year-end based on the average consumption history.

Finance income

Interest earned on investments is recognised in the Statement of Financial Performance on the time proportionate basis that takes into account the effective yield on the investment.

Interest earned on the following investments is not recognised in the Statement of Financial Performance:

- Interest earned on trust funds is allocated directly to the fund.
- Interest earned on unutilised conditional grants is allocated directly to the creditor: unutilised conditional grants, if the grant conditions indicate that interest is payable to the funder.

Tariff Charges

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licences and permits.

Income from Agency Services

Income from agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

Sale of Goods (including Houses)

Revenue from the sale of goods is recognised when all the following conditions have been met:

- The municipality has transferred to the buyer the significant risks and rewards of ownership of the goods.
- The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

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Accounting Policies

1.17 Revenue from exchange transactions (continued)

Rentals

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Dividends

Dividends are recognised on the date that the municipality becomes entitled to receive the dividend in accordance with the substance of the relevant agreement, where applicable.

1.18 Revenue from non-exchange transactions

An inflow of resources from a non-exchange transaction, that meets the definition of an asset shall be recognised as an asset when it is probable that the future economic benefits or service potential associated with the asset will flow to the municipality and the fair value of the asset can be measured reliably. The asset shall be recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

A present obligation arising from a non-exchange transaction that meets the definition of a liability will be recognised as a liability when it is probable that an outflow of economic benefit will be required to settle the obligation and a reliable estimate of the amount can be made.

Rates and Taxes

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

Traffic Fines

Revenue from the issuing of fines is recognised when it is probable that the economic benefits or service potential will flow to the entity and the amount of the revenue can be measured reliably.

Fines consist of spot fines and summonses. There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender.

Public contributions

Donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use.

Assets acquired in non-exchange transactions are measured at fair value in accordance with the Standards of GRAP.

Government Grants and receipts

Equitable share allocations are recognised in revenue at the start of the financial year if no time-based restrictions exist.

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Accounting Policies

1.18 Revenue from non-exchange transactions (continued)

Conditional Grants and receipts

Conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs are recognised in the Statement of Financial Performance in the period in which they become receivable.

Revenue is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when expenses are incurred to construct the items of property, plant and equipment.

Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain. Such revenue is based on legislated procedures.

1.19 Borrowing costs

The municipality capitalises borrowing costs incurred that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset only when the commencement date for capitalisation is on or after 1 July 2008, while all other borrowing costs incurred (including borrowing cost incurred on qualifying assets where the commencement date for capitalisation is prior to 1 July 2008) are recognised as an expense in the Statement of Financial Performance for the financial year ending 30 June 2017 in accordance with the requirements of GRAP 5. To the extent that an entity borrows funds generally and uses it for the purpose of obtaining a qualifying asset, the entity shall determine the amount of borrowing costs eligible for capitalisation by applying a capitalisation rate to the expenditure on that asset. The capitalisation rate shall be the weighted average of the borrowing costs applicable to the borrowings of the entity that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs that an entity capitalises during a period shall not exceed the amount of borrowing costs it incurred during that period.

The municipality ceases to capitalise borrowing costs when substantially all the activities necessary to prepare the qualifying assets for its intended use has been completed. Where the construction of the qualifying asset is completed in parts and each part is capable of being used while construction continues on other parts, the entity shall cease capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part.

1.20 Comparative figures

Prior year comparatives

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are reclassified. The nature and reasons for the reclassification are disclosed.

Budget Information

The annual budget figures have been prepared in accordance with the GRAP standard and are consistent with the accounting policies adopted by the Council for the preparation of these financial statements. The amounts are scheduled as a separate additional financial statement, called the Statement of Comparison of Budget and Actual amounts. Explanatory comment is provided in the notes to the annual financial statements giving firstly reasons for overall growth or decline in the budget and secondly motivations for over- or underspending on line items. The annual budget figures included in the financial statements are for the Municipality and do not include budget information relating to subsidiaries or associates. These figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated development plan. The budget is approved on an accrual basis by nature classification. The approved budget covers the period from 1 July 2016 to 30 June 2019.

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Accounting Policies

1.21 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance. Council will implement investigations on the unauthorised expenses. If a liable person has been identified and the expenditure is not condoned by the Council, it is treated as an asset until it is recovered or written off as irrecoverable.

1.22 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance. Council will implement investigations on the irregular expenses. If a liable person has been identified and the expenditure is not condoned by the Council, it is treated as an asset until it is recovered or written off as irrecoverable.

1.23 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal Systems Act (Act No 32 of 2000), the Public Office Bearers Act (Act No 20 of 1998) or is in contravention of the Municipality's or Municipal Entities' supply chain management policies. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is identified and recorded in the Irregular expenditure register and disclosed in the notes to the annual financial statements. Irregular expenditure receivables are measured at the amount that is expected to be recovered and are de-recognised when settled or written off as irrecoverable. Council will implement investigations on the irregular expenses. If a liable person has been identified and the expenditure is not condoned by the Council, it is treated as an asset until it is recovered or written off as irrecoverable.

1.24 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

The municipality is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the municipality to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

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Accounting Policies

1.24 Related parties (continued)

Where the municipality is exempt from the disclosures in accordance with the above, the municipality discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its annual financial statements.

1.25 Events after reporting date

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the Annual Financial Statements.

1.26 Accumulated Surplus

Accumulated surplus is updated on a yearly basis with the net deficit or net loss, whichever is applicable for the financial period's results.

1.27 Non-current Assets held for sale

Initial Recognition

Non-current Assets and Disposal Groups are classified as held-for-sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Subsequent Measurement

Non-current Assets (and Disposal Groups) classified as held-for-sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

The gain or loss on the eventual sale of non-current assets held for sale is included in the Statement of Financial Performance as gain or loss on sale of assets. The gain or loss on the eventual sale of non-current assets held for sale, is calculated as the difference between the net disposal proceeds and the carrying amount of the individual asset or the disposal group.

1.28 Grants-in-aid

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

These transfers are recognised in the Statement of Financial Performance as expenses in the period that the events giving rise to the transfer occurred.

1.29 Value added tax

The Municipality is registered with SARS for VAT on the payments basis, in accordance with Sec15(2)(a) of the Value-Added Tax Act No 89 of 1991.

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Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.30 Treatment of administration and other overhead expenses

The costs of internal support services are transferred to the various services and departments to whom resources are made available.

1.31 Changes in accounting policy, estimates and errors

Changes in accounting policies that are effected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to Note 42 to the Annual Financial Statements for details of corrections of errors recorded during the period under review

1.32 Operating expenditure

Expenses encompasses losses as well as those expenses that arise in the course of the operating activities of the municipality.

Expenses take the form of an outflow or depletion of assets such as cash and cash equivalents, inventory, property, plant and equipment.

Losses represent decreases in economic benefits or service potential. Losses are recognised net of the related revenue to reflect the substance of the transaction.

Expenses are recognised in the Statement of Financial Performance when a decrease in future economic benefits or service potential related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably.

Expenditure is recognised in the Statement of Financial Performance in the year that the expenditure was incurred.

The expenditure is classified in accordance with the nature of the expense.

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Notes to the Annual Financial Statements

Figures in Rand	2018	2017
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2. New standards and interpretations

GRAP 34: Separate Financial Statements

The objective of this Standard is to prescribe the accounting and disclosure requirements for investments in controlled entities, joint ventures and associates when an entity prepares separate financial statements.

It furthermore covers Definitions, Preparation of separate financial statements, Disclosure, Transitional provisions and Effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 18 (as amended 2016): Segment Reporting

Amendments to the Standard of GRAP on Segment Reporting resulted from editorial and other changes to the original text have been made to ensure consistency with other Standards of GRAP.

The most significant changes to the Standard are:

- General improvements: An appendix with illustrative segment disclosures has been deleted from the Standard as the National Treasury has issued complete examples as part of its implementation guidance.

The effective date of the amendment is for years beginning on or after 01 April 2019

The municipality expects to adopt the amendment for the first time when the Minister sets the effective date for the amendment.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 20: Related parties

The objective of this standard is to ensure that a reporting entity's annual financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

An entity that prepares and presents financial statements under the accrual basis of accounting (in this standard referred to as the reporting entity) shall apply this standard in:

- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between an entity and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual annual financial statements.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:

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Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

- A person or a close member of that person's family is related to the reporting entity if that person:
 - has control or joint control over the reporting entity;
 - has significant influence over the reporting entity;
 - is a member of the management of the entity or its controlling entity.
- An entity is related to the reporting entity if any of the following conditions apply:
 - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
 - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
 - both entities are joint ventures of the same third party;
 - one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
 - the entity is controlled or jointly controlled by a person identified in (a); and
 - a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

The standard furthermore states that related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

The standard elaborates on the definitions and identification of:

- Close member of the family of a person;
- Management;
- Related parties;
- Remuneration; and
- Significant influence

The standard sets out the requirements, inter alia, for the disclosure of:

- Control;
- Related party transactions; and
- Remuneration of management

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 108: Statutory Receivables

The objective of this Standard is: to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.

It furthermore covers: Definitions, recognition, derecognition, measurement, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecognition of Land

This Interpretation of the Standards of GRAP applies to the initial recognition and derecognition of land in an entity's financial statements. It also considers joint control of land by more than one entity.

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2. New standards and interpretations (continued)

When an entity concludes that it controls the land after applying the principles in this Interpretation of the Standards of GRAP, it applies the applicable Standard of GRAP, i.e. the Standard of GRAP on Inventories, Investment Property (GRAP 16), Property, Plant and Equipment (GRAP 17) or Heritage Assets. As this Interpretation of the Standards of GRAP does not apply to the classification, initial and subsequent measurement, presentation and disclosure requirements of land, the entity applies the applicable Standard of GRAP to account for the land once control of the land has been determined. An entity also applies the applicable Standards of GRAP to the derecognition of land when it concludes that it does not control the land after applying the principles in this Interpretation of the Standards of GRAP.

In accordance with the principles in the Standards of GRAP, buildings and other structures on the land are accounted for separately. These assets are accounted for separately as the future economic benefits or service potential embodied in the land differs from those included in buildings and other structures. The recognition and derecognition of buildings and other structures are not addressed in this Interpretation of the Standards of GRAP.

The effective date of the interpretation is for years beginning on or after 01 April 2019.

The municipality expects to adopt the interpretation for the first time in the 2019 annual financial statements.

It is unlikely that the interpretation will have a material impact on the municipality's annual financial statements.

IGRAP 19: Liabilities to Pay Levies

This Interpretation of the Standards of GRAP provides guidance on the accounting for levies in the financial statements of the entity that is paying the levy. It clarifies when entities need to recognise a liability to pay a levy that is accounted for in accordance with GRAP 19.

To clarify the accounting for a liability to pay a levy, this Interpretation of the Standards of GRAP addresses the following issues:

- What is the obligating event that gives rise to the recognition of a liability to pay a levy?
- Does economic compulsion to continue to operate in a future period create a constructive obligation to pay a levy that will be triggered by operating in that future period?
- Does the going concern assumption imply that an entity has a present obligation to pay a levy that will be triggered by operating in a future period?
- Does the recognition of a liability to pay a levy arise at a point in time or does it, in some circumstances, arise progressively over time?
- What is the obligating event that gives rise to the recognition of a liability to pay a levy that is triggered if a minimum threshold is reached?

Consensus reached in this interpretation:

- The obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy, as identified by the legislation;
- An entity does not have a constructive obligation to pay a levy that will be triggered by operating in a future period as a result of the entity being economically compelled to continue to operate in that future period;
- The preparation of financial statements under the going concern assumption does not imply that an entity has a present obligation to pay a levy that will be triggered by operating in a future period;
- The liability to pay a levy is recognised progressively if the obligating event occurs over a period of time;
- If an obligation to pay a levy is triggered when a minimum threshold is reached, the accounting for the liability that arises from that obligation shall be consistent with the principles established in this Interpretation of the Standards of GRAP; and
- An entity shall recognise an asset, in accordance with the relevant Standard of GRAP, if it has prepaid a levy but does not yet have a present obligation to pay that levy.

The effective date of the interpretation is not yet set by the Minister of Finance.

The municipality expects to adopt the interpretation for the first time when the Minister sets the effective date for the interpretation.

It is unlikely that the interpretation will have a material impact on the municipality's annual financial statements.

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3. Inventories

Consumable stores	387 054	348 187
Spare parts	362 086	286 157
Water	12 192	12 192
Unsold Properties Held for Resale	196 650	196 650
	957 982	843 186

Inventories recognised as an expense during the year - 368 527

The cost of water production for the year amounted to R4,89 per kilolitre (2017: R4,55 per kilolitre) in Zastron, R5,82 per kilolitre (2017: R6,07 per kilolitre) in Rouxville and R1,77 per kilolitre (2017: R6,97 per kilolitre) in Smithfield.

No Inventories have been pledged as collateral for Liabilities of the municipality.

4. Receivables from exchange transactions

Gross Balances

Electricity	3 929 433	5 307 158
Water	116 098 565	87 379 651
Sewerage	46 916 900	38 209 663
Refuse	15 924 127	9 626 152
Housing rental	2 934 070	2 754 132
Other	488 681	516 733
	186 291 776	143 793 489

Less: Allowance for impairment

Electricity	(490 127)	(1 422 630)
Water	(114 795 262)	(86 341 479)
Sewerage	(46 133 078)	(37 753 649)
Refuse	(15 661 989)	(9 507 487)
Housing rental	(2 827 633)	(2 720 704)
Other	(487 179)	(510 436)
	(180 395 268)	(138 256 385)

Consumer debtors - Electricity	3 439 306	3 884 528
Consumer debtors - Water	1 303 303	1 038 172
Consumer debtors - Sewerage	783 822	456 014
Consumer debtors - Refuse	262 138	118 665
Consumer debtors - Housing Rental	106 437	33 428
Consumer debtors - Other	1 502	6 297
	5 896 508	5 537 104

Mohokare Local Municipality

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4. Receivables from exchange transactions (continued)

Receivables from exchange transactions past due but not impaired

The ageing of amounts past due but not impaired is as follows:

2018	Gross Balances	Less: Provision for impairment	Total
Electricity			
Current: 0 - 30 days	796 401	-	796 401
Past due: 31 - 60 days	339 753	-	339 753
Past due: 61 - 90 days	190 902	-	190 902
Past due: 90+ days	2 602 377	(490 127)	2 112 250
	3 929 433	(490 127)	3 439 306
2018	Gross Balances	Less: Provision for impairment	Total
Water			
Current: 0 - 30 days	2 621 680	(2 592 250)	29 430
Past due: 31 - 60 days	3 051 484	(3 017 229)	34 255
Past due: 61 - 90 days	2 200 792	(2 176 085)	24 707
Past due: 90+ days	108 224 609	(107 009 698)	1 214 911
	116 098 565	(114 795 262)	1 303 303
2018	Gross Balances	Less: Provision for impairment	Total
Sewerage			
Current: 0 - 30 days	878 047	(863 377)	14 670
Past due: 31 - 60 days	928 771	(913 254)	15 517
Past due: 61 - 90 days	881 272	(866 549)	14 723
Past due: 90+ days	44 228 810	(43 489 898)	738 912
	46 916 900	(46 133 078)	783 822
2018	Gross Balances	Less: Provision for impairment	Total
Refuse			
Current: 0 - 30 days	506 905	(498 560)	8 345
Past due: 31 - 60 days	548 326	(539 300)	9 026
Past due: 61 - 90 days	530 749	(522 012)	8 737
Past due: 90+ days	14 338 147	(14 102 117)	236 030
	15 924 127	(15 661 989)	262 138
2018: Housing rental	Gross Balances	Less: Provision for impairment	Total
Current: 0 - 30 days	60 129	(57 947)	2 182
Past due: 31 - 60 days	40 490	(39 022)	1 468
Past due: 61 - 90 days	37 809	(36 437)	1 372
Past due: 90+ days	2 795 642	(2 694 227)	101 415
	2 934 070	(2 827 633)	106 437
2018	Gross Balances	Less: Provision for impairment	Total
Other			
Current: 0 - 30 days	1 373	(1 373)	-

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4. Receivables from exchange transactions (continued)

Past due: 31 - 60 days	1 535	(1 535)	-
Past due: 61 - 90 days	1 206	(1 206)	-
Past due: 90+ days	484 567	(483 065)	1 502
	488 681	(487 179)	1 502

2017

Electricity

	Gross Balances	Less: Provision for impairment	Total
Current: 0 - 30 days	955 288	(256 074)	699 214
Past due: 31 - 60 days	212 286	(56 905)	155 381
Past due: 61 - 90 days	849 145	(227 621)	621 524
Past due: 90+ days	3 290 439	(882 030)	2 408 409
	5 307 158	(1 422 630)	3 884 528

2017

Water

	Gross Balances	Less: Provision for impairment	Total
Current: 0 - 30 days	3 781 790	(3 737 012)	44 778
Past due: 31 - 60 days	3 841 024	(3 795 012)	46 012
Past due: 61 - 90 days	4 127 896	(4 078 676)	49 220
Past due: 90+ days	75 628 941	(74 730 779)	898 162
	87 379 651	(86 341 479)	1 038 172

2017

Sewerage

	Gross Balances	Less: Provision for impairment	Total
Current: 0 - 30 days	1 022 053	(1 009 842)	12 211
Past due: 31 - 60 days	1 000 789	(988 830)	11 959
Past due: 61 - 90 days	985 117	(973 445)	11 672
Past due: 90+ days	35 201 704	(34 781 532)	420 172
	38 209 663	(37 753 649)	456 014

2017

Refuse

	Gross Balances	Less: Provision for impairment	Total
Current: 0 - 30 days	590 247	(583 178)	7 069
Past due: 31 - 60 days	630 161	(622 618)	7 543
Past due: 61 - 90 days	620 566	(613 213)	7 353
Past due: 90+ days	7 785 178	(7 688 478)	96 700
	9 626 152	(9 507 487)	118 665

2017

Housing rental

	Gross Balances	Less: Provision for impairment	Total
Current: 0 - 30 days	76 644	(75 736)	908
Past due: 31 - 60 days	74 686	(73 801)	885
Past due: 61 - 90 days	73 281	(72 412)	869
Past due: 90+ days	2 529 521	(2 498 755)	30 766
	2 754 132	(2 720 704)	33 428

2017

Other

	Gross Balances	Less: Provision for impairment	Total
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Annual Financial Statements for the year ended 30 June 2018

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4. Receivables from exchange transactions (continued)		
Current: 0 - 30 days	434	(434)
Past due: 31 - 60 days	3	(3)
Past due: 90+ days	516 296	(509 999)
	516 733	(510 436)
		6 297

Summary of Consumer Debtors by Customer Classification

As at 30 June 2018	Households	Industrial / Commercial	National and Provincial Government	Other	Total
0 - 30 days	3 740 094	268 744	773 185	73 498	4 855 521
31 - 60 days	4 004 738	384 999	413 880	56 463	4 860 080
61 - 90 days	3 166 367	192 727	364 441	72 336	3 795 871
+90 days	154 286 316	8 260 183	6 817 525	3 416 280	172 780 304
Subtotal	165 197 515	9 106 653	8 369 031	3 618 577	186 291 776
Less: Provision for impairment	(163 748 924)	(7 680 546)	(5 369 708)	(3 596 090)	(180 395 268)
	1 448 591	1 426 107	2 999 323	22 487	5 896 508

As at 30 June 2017	Households	Industrial / Commercial	National and Provincial Government	Other	Total
0 - 30 days	4 301 482	610 153	787 419	424 448	6 123 502
31 - 60 days	4 246 148	514 169	629 131	529 264	5 918 712
61 - 90 days	4 645 854	1 692 793	298 289	588 636	7 225 572
+90 days	106 433 237	6 767 515	5 816 558	5 508 395	124 525 705
Subtotal	119 626 721	9 584 630	7 531 397	7 050 741	143 793 489
Less: Provision for impairment	(118 453 492)	(8 263 745)	(4 555 676)	(6 983 472)	(138 256 385)
	1 173 229	1 320 885	2 975 721	67 269	5 537 104

Reconciliation of allowance for impairment

Balance at the beginning of the year	(138 256 385)	(99 120 672)
Contributions to allowance	(42 138 883)	(39 135 713)
	(180 395 268)	(138 256 385)

Mohokare Local Municipality

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Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

Figures in Rand	2018	2017
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5. Receivables from non-exchange transactions

Gross Balances

Traffic fines	79 193 803	35 604 854
Other sundry debtors	86 574	111 447
Consumer debtors - Rates	19 938 636	17 379 269
Levies	8 366 128	8 495 878
	107 585 141	61 591 448

Provision for Impairment

Traffic fines	(62 699 526)	(25 857 836)
Consumer debtors - Rates	(19 032 297)	(17 172 960)
Levies	(8 352 915)	(8 393 415)
	(90 084 738)	(51 424 211)

Fines	16 494 277	9 747 018
Other Sundry Debtors	86 574	111 447
Consumer debtors - Rates	906 339	206 309
Levies	13 213	102 463
	17 500 403	10 167 237

None of the Receivables have been pledged as security for the municipality's financial liabilities.

The management of the municipality is of the opinion that the carrying value of Receivables approximate their fair values.

Receivables from non-exchange transactions past due but not impaired

The ageing of amounts past due but not impaired is as follows:

2018

Assessment Rates

	Gross Balances	Less: Provision for impairment	Total
Current: 0 - 30 Days	54 344	(51 874)	2 470
Past due: 31 - 60 Days	340 277	(324 809)	15 468
Past due: 61 - 90 Days	314 374	(300 084)	14 290
Past due: 90+ Days	19 229 641	(18 355 530)	874 111
	19 938 636	(19 032 297)	906 339

2018

Traffic fines

	Gross Balances	Less: Provision for impairment	Total
Current: 0 - 30 Days	3 135 250	(1 567 625)	1 567 625
Past due: 31 - 60 days	3 793 900	(1 896 950)	1 896 950
Past due: 61 - 90 days	4 318 000	(2 159 000)	2 159 000
Past due: 90+ days	67 946 653	(57 075 951)	10 870 702
	79 193 803	(62 699 526)	16 494 277

2018

Levies

	Gross Balances	Provision for impairment	Total
Current: 0 - 30 Days	14 327	(14 304)	23
Past due: 31 - 60 days	16 737	(16 710)	27
Past due: 61 - 90 days	16 669	(16 643)	26
Past due: 90 + days	8 318 395	(8 305 258)	13 137
	8 366 128	(8 352 915)	13 213

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5. Receivables from non-exchange transactions (continued)

2017

Assessment Rates

Current: 0 - 30 Days

31 - 60 Days

61 - 90 Days

90 + Days

Gross Balances	Less: Provision for impairment	Total
741 894	(733 131)	8 763
715 647	(707 015)	8 632
692 138	(683 790)	8 348
15 229 590	(15 049 024)	180 566
17 379 269	(17 172 960)	206 309

2017

Traffic Fines

Current: 0 - 30 Days

31 - 60 Days

61 - 90 Days

90 + Days

Gross Balances	Less: Provision for impairment	Total
6 300	(5 168)	1 132
5 028 550	(2 471 072)	2 557 478
4 477 800	(2 105 260)	2 372 540
26 092 204	(21 276 336)	4 815 868
35 604 854	(25 857 836)	9 747 018

2017

Levies

Current: 0 - 30 Days

31 - 60 Days

61 - 90 Days

90 + Days

Gross Balances	Less: Provision for impairment	Total
22 410	(22 139)	271
19 000	(18 771)	229
18 848	(18 621)	227
8 435 620	(8 333 884)	101 736
8 495 878	(8 393 415)	102 463

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Notes to the Annual Financial Statements

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5. Receivables from non-exchange transactions (continued)

Summary of Assessment Rates and Levy Debtors by Customer Classification

As at 30 June 2018	Household	Industrial/ Commercial	National and Provincial Government	Other	Total
Current					
0 - 30 Days	29 198	24 885	23 187	415	77 685
Past Due					
31 - 60 Days	278 334	96 936	30 550	1 474	407 294
61 - 90 Days	257 011	89 156	30 311	1 421	377 899
+ 90 Days	15 218 100	10 321 801	1 499 232	402 753	27 441 886
Subtotal	15 782 643	10 532 778	1 583 280	406 063	28 304 764
Less: Provision for Impairment	(15 342 476)	(10 061 116)	(1 577 450)	(404 170)	(27 385 212)
	440 167	471 662	5 830	1 893	919 552
As at 30 June 2017					
Current					
0 - 30 Days	278 070	480 110	4 563	1 648	764 391
Past Due					
31 - 60 Days	265 298	460 282	4 563	4 408	734 551
61 - 90 Days	258 129	443 946	4 563	4 257	710 895
90 + Days	13 782 108	8 255 551	1 296 128	331 523	23 665 310
Subtotal	14 583 605	9 639 889	1 309 817	341 836	25 875 147
Less: Provision for Impairment	(14 409 575)	(9 524 855)	(1 294 188)	(337 757)	(25 566 375)
	174 030	115 034	15 629	4 079	308 772

Reconciliation of Provision for Impairment

Receivables from non-exchange transactions

Balance at the beginning of the year	(51 424 211)	(22 929 543)
Impairment losses recognised	(38 660 527)	(28 494 668)
	(90 084 738)	(51 424 211)

6. VAT receivable

VAT receivable	24 964 658	16 804 092
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Mohokare Local Municipality is registered as a Category C vendor for VAT purposes. This means that the Municipality is required to submit monthly VAT returns to the South African Revenue Services.

The municipality is registered on the payment basis, therefore input and output VAT is declared based on the cash flow of the Municipality.

Interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are affected before the due date.

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7. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	1 180	1 180
Bank balances	2 004 250	1 726 067
Short-term deposits	2 572 976	14 226 006
	4 578 406	15 953 253

For the purposes of the Statement of Financial Position and the Cash Flow Statement, Cash and Cash Equivalents include cash on hand, cash in banks, and investments in money market instruments net of outstanding bank overdrafts.

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2018	30 June 2017	30 June 2016	30 June 2018	30 June 2017	30 June 2016
ABSA Bank - Cheque account - Zastron branch 405 265 4487	409 294	329 623	5 373 892	409 294	331 678	5 382 322
ABSA Bank - Savings account - Zastron branch 2810 000 018	1 113 571	171 177	199 741	1 113 571	171 177	201 441
STD Bank - Cheque account - Zastron branch 041 952 776	96 075	599 897	113 656	96 075	599 897	133 656
FNB - Ceque account - Zastron branch 5359 3549 308	385 310	623 316	90 238	385 310	623 316	90 117
ABSA Bank - 32 day notice - 101 4355 924	113 634	108 798	103 916	113 634	108 798	103 916
ABSA Bank - 32 day notice - 6074 357 138	316	308	299	316	308	299
ABSA Bank - call account - 9074 133 593	349	661	918	349	661	918
ABSA Bank - call account - 9086 343 532	397 254	14 048 836	32 225	397 254	14 048 836	32 225
FNB - call deposit account - 7235 900 4546	70 149	67 402	64 612	70 149	67 402	64 612
ABSA Bank - call account - 9331 173 012	24 849	-	-	24 849	-	-
ABSA Bank - call account - 9331 171 638	1 306 625	-	-	1 306 625	-	-
ABSA Bank - call account - 9331 175 276	659 800	-	-	659 800	-	-
Cash control accounts	-	-	-	-	-	338 190
Cash on hand	-	-	-	1 180	1 180	1 180
Total	4 577 226	15 950 018	5 979 497	4 578 406	15 953 253	6 348 876

An amount of R24 513 708 (2017: R31 220 077) is attributable to Unspent Conditional Grants, however only R4 577 226 is available per the bank balances thus unspent grants are not cash backed.

A pledge of R25 000 in favour of Eskom is held with First National Bank.

No restrictions have been imposed on the municipality in terms of the utilisation of its cash and cash equivalents.

The fair value of current investment deposits, bank balances and cash and cash equivalents was determined after considering the standard terms and conditions of agreements entered into between the municipality and financial institutions.

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8. Biological assets that form part of an agricultural activity

	2018			2017		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Cattle	410 250	-	410 250	366 905	-	366 905
Horses	13 000	-	13 000	13 000	-	13 000
Total	423 250	-	423 250	379 905	-	379 905

Reconciliation of biological assets that form part of an agricultural activity - 2018

	Opening balance	Additions (calves born)	Losses during the year	Gains / Losses from change in fair value	Total
Cattle	366 905	36 630	(39 960)	46 675	410 250
Horses	13 000	-	-	-	13 000
	379 905	36 630	(39 960)	46 675	423 250

Reconciliation of biological assets that form part of an agricultural activity - 2017

	Opening balance	Additions (calves born)	Losses during the year	Gains / Losses from change in fair value	Total
Cattle	261 180	49 275	(49 275)	105 725	366 905
Horses	7 000	-	-	6 000	13 000
	268 180	49 275	(49 275)	111 725	379 905

Non - Financial information

Quantities of each biological asset

Cattle	71	68
Horses	6	6
	77	74

All of the municipality's Biological Assets are held under freehold interests and no Biological Assets have been pledged as security for any liabilities of the municipality.

No restrictions apply to any of the Biological Assets of the municipality.

Quantities of each biological asset

	Cattle 2018	Horses 2018	Cattle 2017	Horses 2017
Opening balance	68	6	68	6
Acquisitions during the year	11	-	15	-
Losses during the year	(8)	-	(7)	-
Decrease due to consumption	-	-	(8)	-
	71	6	68	6

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8. Biological assets that form part of an agricultural activity (continued)

Biological Assets carried at fair value

The municipality's Biological Assets are valued annually at 30 June at fair value. The valuation, which conforms to international Valuation Standards is arrived at by reference to a market evidence of transaction prices for similar assets.

9. Investment property

	2018			2017		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	55 869 000	-	55 869 000	55 869 000	-	55 869 000

Reconciliation of investment property - 2018

	Opening balance	Total
Investment property	55 869 000	55 869 000

Reconciliation of investment property - 2017

	Opening balance	Total
Investment property	55 869 000	55 869 000

All of the municipality's Investment Property is held under freehold interest and no Investment Property had been pledged as security for any liabilities of the municipality.

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations on Investment Property.

Refer to Appendix B for more detail on Investment Property.

Investment Property carried at Fair value

The review of the valuation of investment properties were performed by DB Grobler a Professional Associated Valuer and Appraiser (Reg nr: 2311/3) from EMS Advisory during July 2018.

For the review of the values of Investment Properties, the average growth in the value of middle-segment homes in the South African residential property market and the ABSA house price indexes were used as indicators.

Impairment of Investment Property

No impairment losses have been recognised on Investment Property of the municipality at the reporting date.

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10. Property, plant and equipment

	2018			2017		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	19 529 934	-	19 529 934	19 529 934	-	19 529 934
Buildings	33 615 959	(26 523 450)	7 092 509	33 615 960	(26 143 255)	7 472 705
Infrastructure	879 199 639	(392 926 779)	486 272 860	832 654 063	(375 171 967)	457 482 096
Community Facilities	124 938 493	(77 115 430)	47 823 063	113 754 684	(75 415 169)	38 339 515
Movable Assets	15 404 890	(9 783 099)	5 621 791	16 478 530	(9 133 975)	7 344 555
Assets under Finance lease	-	-	-	2 136 119	(2 136 119)	-
Total	1 072 688 915	(506 348 758)	566 340 157	1 018 169 290	(488 000 485)	530 168 805

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10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Disposals	Transfers received	Depreciation	Impairment	Total
Land	19 529 934	-	-	-	-	-	19 529 934
Buildings	7 472 705	-	-	-	(380 196)	-	7 092 509
Infrastructure	457 482 096	11 885 746	(780 392)	37 356 535	(19 671 125)	-	486 272 860
Community Facilities	38 339 515	11 183 808	-	-	(1 700 260)	-	47 823 063
Movable Assets	7 344 555	618 991	(939 458)	-	(1 113 677)	(288 620)	5 621 791
	530 168 805	23 688 545	(1 719 850)	37 356 535	(22 865 258)	(288 620)	566 340 157

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10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Disposals	Transfers received	Depreciation	Impairment	Total
Land	19 529 934	-	-	-	-	-	19 529 934
Buildings	8 080 603	-	-	-	(607 898)	-	7 472 705
Infrastructure	446 528 119	37 899 494	(874 836)	147 461	(23 497 771)	(2 720 371)	457 482 096
Community Facilities	38 120 843	2 132 738	(2 616)	-	(1 496 935)	(414 515)	38 339 515
Movable Assets	7 817 203	1 097 321	(259 928)	-	(1 313 520)	3 479	7 344 555
Assets under Finance lease	194 504	-	-	-	(194 504)	-	-
	520 271 206	41 129 553	(1 137 380)	147 461	(27 110 628)	(3 131 407)	530 168 805

Reconciliation of Work-in-Progress 2018

	Included within Infrastructure	Included within Community Assets	Total
Opening Balance	182 934 084	3 819 197	186 753 281
Additions/Capital Expenditure	49 242 281	11 183 808	60 426 089
Transferred to Additions	(37 356 535)	-	(37 356 535)
	194 819 830	15 003 005	209 822 835

Reconciliation of Work-in-Progress 2017

	Included within Infrastructure	Included within Community Assets	Total
Opening Balance	145 182 051	1 686 459	146 868 510
Additions/Capital Expenditure	37 899 494	2 132 738	40 032 232
Transferred to Additions	(147 461)	-	(147 461)
	182 934 084	3 819 197	186 753 281

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10. Property, plant and equipment (continued)

Projects which are in the process of being constructed/ developed but are taking significantly longer to complete are listed below:

Included in Infrastructure:

- 15km Pipeline to Montagu Dam (R36 198 087) - A variation order was issued to include the upgrading of the pump stations which was not part of the initial scope of the project.
- Upgrade of the Rouxville/ Roleathunya Water Treatment Works (R43 164 264) - Poor workmanship and project management by contractors. Project was brought to a standstill and all procurement processes had to be repeated. The Consultant was later terminated and this lead to all procurement processess in this respect also having to be repeated.
- Construction of a 27km raw water pipeline from the Orange River to the Paisley Dam (R73 330 071) - The Consultant was terminated and this lead to all procurement processess in this respect having to be repeated.
- Upgrading of the Zastron Water Treatment Works (R7 833 176) - The contractor initially employed to complete the project was liquidated. Therefore the contractor had to be terminated and all procurement processes had to be repeated.
- The Smithfield Highmast Lights (R223 116) relates to one of the highmast lights that cannot be unbundled as ESKOM is unable to provide the Municipality with a connection for this light due to capacity constraints. The Municipality was recommended to re-apply for said connection every six months. To date, all requests have been denied.

Included in Community:

- Upgrading of the Mofulatshepe Sports Ground (R1 686 459) - Contractor was issued a formal termination of service letter due to abandonment of site.

The following costs relating to Repairs and Maintenance were incurred by the municipality during the reporting period:

Electrical Infrastructure	-	2 289 831
Roads Infrastructure	-	134 120
Sanitation Infrastructure	-	166 785
Water Supply Infrastructure	6 229 024	1 065 363
Community Assets	-	12 439
Other assets	-	322 861
	6 229 024	3 991 399

Pledged as security

The municipality did not pledge any of its assets as security except for electricity assets as referred to in Note 7.

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10. Property, plant and equipment (continued)

Other information

Property, plant and equipment fully depreciated and still in use (Gross carrying amount)

Land and buildings	758 734	758 734
Community assets	7 171 164	7 171 164
Movable assets	493 946	-
Infrastructure assets	1 936 763	1 936 763
	10 360 607	9 866 661

Impairment of property, plant and equipment

Infrastructure assets	-	2 720 371
Community assets	-	414 515
Movables	288 620	(3 479)
	288 620	3 131 407

The amount of R288 620 (2017: R3 131 407) disclosed for impairment losses on Property, Plant and Equipment is in respect of the condition assessments on Movable Assets during the 2017/18 financial period.

Impairment losses on Property, Plant and Equipment exist predominantly due to an impaired item of Property, Plant and Equipment that has been physically damaged and has become redundant and idle.

No Property, Plant and Equipment were retired from active use and held for disposal during the financial year.

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11. Other financial assets		
Designated at fair value		
Local Authority Stock	373 706	340 979
Unlisted investments comprise the following:		
Local Authority Stock are shares held in OVK Operations Limited. 13 193 ordinary shares valued at R14.90 (2017: R13.20) per share and 13 731 holding shares valued at R12.90 (2017: R12.15) per share.		
The fair value of investments was determined after considering the market value of the shares held with OVK.		
Non-current assets		
Designated at fair value	373 706	340 979
12. Other financial liabilities		
At amortised cost		
Government Loans	492 660	694 682
Government loans relate to a loan from the Development Bank of South Africa (DBSA). The loan is repayable in quarterly installments with the last payment to take place on 31 March 2020. The loan was negotiated at a fixed interest rate of 12,36%.		
Centlec Payable	35 288 566	31 068 753
The Centlec Payable relates to the amounts owed to Centlec in terms of services provided on behalf of the Municipality. This accounts for electricity bulk purchases, electricity sales on behalf of Mohokare Local Municipality, general expenditure incurred in the process of performing these duties as well as distribution losses. No contractual agreement regarding repayment terms interest rate applicable, maturity date has been agreed upon and based on past history there is no indication that Centlec will demand payment within the next 12 months.		
Other Loans (Centlec Capital Loans)	585 919	681 461
Centlec capital loans are repaid over a period of 20 years and at a 10% interest rate. Other loans are secured over assets used to produce electricity.		
	36 367 145	32 444 896
Total other financial liabilities	36 367 145	32 444 896
The amortised cost of Long-term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.		
Non-current liabilities		
At amortised cost	36 143 581	32 250 785
Current liabilities		
At amortised cost	223 564	194 111

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13. Finance lease obligation		
Present value of minimum lease payments due		
- within one year	-	149 225
- in second to fifth year inclusive	-	522 287
	-	(146 576)
	-	524 936
Non-current liabilities	-	429 983
Current liabilities	-	94 953
	-	524 936

The finance lease for the Mayoral vehicle was settled by an insurance claim during the year under review after the Mayor was hijacked and the SAPS and insurance were unable to recover the vehicle .

This vehicle was initially purchased on a lease term of 5 years (60 months) with the last payment due in December 2021. The outstanding balance was settled in full during month 13 of the vehicle asset finance contract entered into with the Municipality's Primary Banker, ABSA.

The effective interest rate on finance leases is 11.00% (2017: 11.25%).

The municipality's obligations under Finance Leases are secured by the lessors' title to the leased assets.

Market risk

The municipality has finance lease agreements for the following significant classes of assets:

- Vehicles

	Average period outstanding	Average effective interest rate	Average monthly installment
ABSA Vehicle Financing (5 vehicles)			
2017	54 months	11,25 %	12 435
2016	9 months	9,25 %	23 239
		20,50 %	35 674

14. Consumer Deposits

Current liabilities	(801 236)	(818 351)
Electricity, Water and Other	(801 236)	(818 351)

Consumer Deposits are paid by consumers on application for new water and electricity connections. The deposits are refunded when the water and electricity connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding account.

No interest is paid on Consumer Deposits held.

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15. Payables from exchange transactions

Trade payables	31 784 731	24 075 787
Payments received in advance	1 586 196	2 273 291
Staff Salaries and Third Parties	50 406 862	41 539 024
Accrued leave pay	3 226 434	2 869 072
Accrued bonus	1 506 060	1 334 136
Unallocated deposits	2 864 520	734 952
	91 374 803	72 826 262

Staff Leave accrue to the staff of the municipality on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date.

The average credit period on purchases should be 30 days from the receipt of the invoice, as determined by the MFMA, except when the liability is disputed. No interest is charged for the first 30 days from the date of the receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with.

The municipality did default on payment of its Creditors. The Municipality has negotiated terms of payment with certain of its long outstanding trade creditors.

The fair value of Creditors was determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties.

16. Employee benefit obligations

Post-retirement Health Care Benefit Liability	1 640 700	1 784 000
Long service awards liability	4 553 200	4 053 000
	6 193 900	5 837 000

Long Service Awards Liability

Balance at the beginning of the year	4 053 000	3 945 100
Contributions to provisions	515 100	507 500
Increase due to discounting	398 000	370 400
Expenditure incurred	(421 000)	(422 200)
Actuarial (gains) / losses	8 100	(347 800)
Balance at the end of the year	4 553 200	4 053 000
Transfer current portion to current liabilities	(532 400)	(515 100)
	4 020 800	3 537 900

Post-retirement Health Care Benefit Liability

Balance at the beginning of the year	1 784 000	1 923 400
Interest cost	180 900	178 100
Benefits paid	(96 500)	(88 800)
Actuarial (gain) / loss	(227 700)	(228 700)
	1 640 700	1 784 000

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16. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

Actual return on plan assets - Post Employment Medical Subsidy

Discount rates used	9,92 %	10,14 %
Consumer price inflation	6,98 %	7,66 %
Expected increase in healthcare costs	6,98 %	7,66 %

Actual return on plan assets - Long Service Awards

Discount rate used	9,24 %	9,82 %
Inflation rate	6,43 %	7,44 %
Salary escalation rate	7,43 %	8,44 %

Other assumptions

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

	One percentage point increase	One percentage point decrease
Effect on the aggregate of the service cost and interest cost	160 300	165 100
Effect on defined benefit obligation	1 468 400	1 851 100

Amounts for the current and previous two years are as follows:

	2018 R	2017 R	2016 R
Defined benefit obligation	1 640 700	1 784 000	1 923 000
Plan assets	4 553 200	4 053 000	3 945 100

The Municipality operates an unfunded defined benefit plan for all its employees. Under the plan, a long-service award is payable after 5 years of continuous service and every 5 years of continuous service thereafter. The provision is an estimate of the long-service based on historical staff turnover. No other long-service benefits are provided to employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2018 by Mr Gericke, of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost were measured using the Projected Unit Credit Method.

At year-end, 266 (2017: 261) employees were eligible for long-service awards.

The current service cost for the year ending 30 June 2018 is estimated to be R 532 400, whereas the cost for the ensuing year is estimated to be R421 000.

The Municipality provides a post-employment medical scheme subsidy to two of its retired employees. The subsidy rate is 60% of the pensioners current medical aid premiums with a restriction of a maximum of R3 871 as at 30 June 2018.

The liability is currently unfunded and will in the future increase with the discount rate used to calculate the present value of the expected future cash flows. Unanticipated changes in the schemes' medical aid contributions will directly affect the liability.

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17. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

National: MWIG	8 493 195	19 877 389
National: MIG	11 082 407	11 342 688
National: RBIG	4 938 101	-
	24 513 703	31 220 077

Movement during the year

Balance at the beginning of the year	31 220 077	5 243 911
Additions during the year	77 136 000	80 059 940
Income recognition during the year	(83 842 374)	(54 083 774)
	24 513 703	31 220 077

See note 25 for reconciliation of grants from National/Provincial Government.

18. Provisions

Reconciliation of provisions - 2018

	Opening Balance	Additions	Total
Environmental rehabilitation	12 842 373	1 424 220	14 266 593

Reconciliation of provisions - 2017

	Opening Balance	Additions	Total
Environmental rehabilitation	11 560 332	1 282 041	12 842 373

Environmental rehabilitation provision

In terms of the licencing of the landfill refuse site, the municipality will incur rehabilitation costs of R50.5 million to restore the sites at the end of its useful life, estimated to be in 2032 for the Matlakeng site, 2035 for the Rouxville site, 2037 for the Smithfield and Zastron sites. Provision has been made for the net present value of this cost, using the the average cost of borrowing interest rate. The provision was arrived at taking the following main factors into account: location, macro- and micro-environment, soil conditions, topography and market conditions. The effective date of the valuation as performed by EMS Advisory is 30 June 2018.

19. Accumulated surplus

The Accumulated Surplus consists of the following internal funds and reserves:

Accumulated surplus (deficit)	503 323 492	480 701 630
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20. Service charges

Sale of electricity	25 972 337	25 457 554
Sale of water	25 781 946	22 804 789
Sewerage and sanitation charges	9 586 422	4 929 204
Refuse removal	5 955 379	6 894 772
Connection Fees	2 982	220 752
	67 299 066	60 307 071

The amounts disclosed above for revenue from Service Charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs. Connection Fees are in respect of once off connection charges.

21. Rental of facilities and equipment

Premises

Operating Lease Rental Investment Property	481 995	615 007
Rental Revenue from Buildings	112 164	94 818
Rental Revenue from Halls	-	26 296
	594 159	736 121

Facilities and equipment

Rental of facilities	-	91
	594 159	736 212

Rental revenue earned on Facilities and Equipment is in respect of non-financial assets rented out.

22. Other income

Building Plan Fees	5 610	15 870
Cemetery Fees	57 666	52 944
Commission on Collections	-	130 459
Rates Certificates	15 932	29 497
Sundry Income	289 049	205 898
	368 257	434 668

The amounts disclosed above for other revenue are in respect of services rendered which are billed to or paid for by the users as the services are required according to approved tariffs.

23. Investment revenue

Dividend revenue

Unlisted financial assets - Local	-	9 505
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Interest revenue

Bank	1 985 535	533 452
Interest charged on trade and other receivables	1 220 494	2 760 106
Investments	-	366 522
	3 206 029	3 660 080

Total Investment Revenue	3 206 029	3 669 585
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24. Property rates		
Rates received		
Residential	2 209 594	3 876 453
Commercial	879 124	1 270 397
State	252 982	287 659
Municipal	46 333	36 671
Small holdings and farms	4 077 353	5 803 470
Rates Rebates	-	(888 296)
PBO's	229 472	8 952
PSI's	-	155
	7 694 858	10 395 461

Valuations

Property rates are levied on the value of land and improvements which valuation is performed every four years. The last valuation came into effect on 1 July 2015.

Interim valuations are processed on a continuous basis to take into account changes in individual property values due to alterations and subdivisions.

A general rate is applied as follows to property valuations to determine property rates:

Residential Properties: 0.7401c/R (2016/17: R0.6649c/R)

Commercial Properties: 1.0c/R (2016/17: R0.9008c/R)

State Properties: 0.3499c/R (2016/17: R0.3144c/R)

Agricultural Properties: 0.1180c/R (2016/17: R0.00106c/R)

Rates are levied monthly on property owners and are payable the end of each month. Interest is levied at a rate determined by Council on outstanding amounts.

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25. Government grants and subsidies

Operating grants

Equitable share	56 055 000	54 472 000
EPWP Grant	1 000 000	1 000 000
National: FMG	1 900 000	1 825 000
COGTA Grant	-	358 043
	58 955 000	57 655 043

Capital grants

Integrated National Electrification Grant: INEP	3 000 000	-
National: MIG	17 232 210	16 499 029
National: MWIG	25 754 260	12 368 265
National: RBIG	24 061 899	18 287 437
	70 048 369	47 154 731
	129 003 369	104 809 774

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Equitable Share

Equitable share	56 055 000	54 472 000
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In terms of the Constitution, this grant is used to subsidise the provision of basic services to community members. In terms of the allocation made by COTGA the funds are also utilised to enable the municipality to execute its functions as the local authority. R10,894 million was withheld in the financial period ended 30 June 2018 in respect of conditional grant roll-overs applied for in previous financial years that was disallowed. An amount of R45,161 million was paid to Mohokare during the financial period ended 30 June 2018.

Water Services Infrastructure Grant (Previously MWIG)

Balance unspent at beginning of year	19 877 389	5 726 654
Roll-over withheld on Equitable share	(9 629 934)	(3 746 000)
Current-year receipts	24 000 000	30 265 000
Conditions met - transferred to capital projects	(9 124 305)	-
Conditions met - transferred to capital projects	(16 629 955)	(12 368 265)
	8 493 195	19 877 389

Conditions still to be met - remain liabilities (see note 17).

This grant was received to facilitate the planning acceleration and implementation of various projects that will ensure water supply to communities identified as not receiving a basic water supply service.

R9,4 million of the balance of the grant that was unspent at the beginning of the year was approved for a roll-over for the equipping of two raw water pump stations in Zastron. R9,6 million of the opening balance was withheld from equitable share during the 2017/18 financial year. The remaining portion of the unspent WSIG funds at the beginning of the year that was not approved for roll-over (R847 454) is expected to be withheld from equitable share in future periods.

The unspent WSIG balance consists of an amount of R848 454 relating to the roll-over amount denied for the 2016/17 financial year, to be withheld in future periods. It further includes an amount of R275 695 relating to the approved roll-over from the 2016/17 financial year which was ring-fenced for the equipping of two raw water pump stations in Zastron. An amount of R7 370 045 of the unspent balance relates to the unspent portion of the 2017/18 allocation.

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25. Government grants and subsidies (continued)		
Municipal Infrastructure Grant (Conditional)		
Balance unspent at beginning of year	11 342 688	(587 283)
MIG withheld from Equitable share	(1 264 066)	-
Current-year receipts	18 236 000	28 429 000
Conditions met - Transferred to capital projects (roll-over)	(7 441 202)	-
Conditions met - transferred to revenue	(898 736)	(867 465)
Conditions met - transferred to capital projects	(8 892 277)	(15 631 564)
	11 082 407	11 342 688

Conditions still to be met - remain liabilities (see note 17).

The Municipal Infrastructure Grant (MIG) was allocated for the construction of roads basic sewerage and water infrastructure as part of the upgrading of poor households, micro enterprises and social institutions; to provide for new, rehabilitation and upgrading of municipal infrastructure.

The unspent MIG balance consists of an amount of R2 637 419 relating to the approved roll-over from the 2016/17 financial year which was ring-fenced for the Itumeleng Sports Ground. An amount of R8 444 992 of the unspent balance relates to the unspent portion of the 2017/18 allocation.

COGTA Grant (Water pumps) Conditional

Balance unspent at beginning of year	-	358 043
Conditions met - transferred to revenue	-	(358 043)
	-	-

Conditions still to be met - remain liabilities (see note 17).

A grant was received from COGTA for the purpose of assisting the Municipality with the replacement of old and redundant water pumps necessary for service delivery. No funds have been withheld.

Regional Bulk Infrastructure Grant (Conditional)

Balance unspent at beginning of year	-	(253 503)
Current-year receipts	29 000 000	18 540 940
Conditions met - transferred to revenue	(24 061 899)	(18 287 437)
	4 938 101	-

Conditions still to be met - remain liabilities (see note 17).

This grant was used for the operation and maintenance of sewerage and water schemes transferred from RBIG to the municipality and the refurbishment of water infrastructure.

FMG Grant (Conditional)

Current-year receipts	1 900 000	1 825 000
Conditions met - transferred to revenue	(1 900 000)	(1 825 000)
	-	-

The Financial Management grant is paid by National Treasury to Municipalities to help implement the financial management reforms required by the Municipal Finance Management Act (MFMA), 2003. No funds have been withheld.

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25. Government grants and subsidies (continued)		
Expanded Public Works (EPWP) Grant (Conditional)		
Current-year receipts	1 000 000	1 000 000
Conditions met - transferred to revenue	(1 000 000)	(1 000 000)
	-	-
This grant was received for the creation of job opportunities. No funds have been withheld.		
Integrated National Electrification Grant (INEP)		
Current-year receipts	3 000 000	-
Conditions met - transferred to revenue	(3 000 000)	-
	-	-
26. Public contributions and donations		
Unconditional Contributions	6 554 761	5 172 753
27. Employee related costs		
Basic	36 974 070	34 688 231
Bonus	3 389 700	3 087 615
Medical aid - company contributions	3 455 951	3 397 207
UIF	405 392	390 469
SDL	489 768	463 275
Other payroll levies	52 600	24 123
Contribution to leave provision	539 226	649 877
Defined contribution plans	6 605 198	6 272 917
Travel, motor car, accommodation, subsistence and other allowances	4 404 595	3 936 162
Overtime payments	3 993 630	2 731 687
Housing benefits and allowances	737 603	697 058
Temporary Workers	1 005 358	1 061 981
	62 053 091	57 400 602
Remuneration of municipal manager - CT Panyani (1 July 2016 - 31 January 2017)		
Annual Remuneration	-	376 185
Car Allowance	-	155 750
Performance Bonuses	-	129 725
Contributions to UIF, Medical and Pension Funds	-	107 312
Other	-	150 286
	-	919 258
Remuneration of Chief Financial Officer - MP Dyonase		
Annual Remuneration	783 998	783 998
Leave payout	77 406	-
Performance Bonuses	-	94 080
Contributions to UIF, Medical and Pension Funds	1 933	9 152
Industrial council and SDL	8 681	-
	872 018	887 230

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27. Employee related costs (continued)

Municipal Manager - SM Selepe (1 March 2018 - 30 June 2018)

Annual Remuneration	188 179	-
Car Allowance	60 000	-
Contributions to UIF, Medical and Pension Funds	446	-
Industrial council and SDL	2 562	-
	251 187	-

Acting Director Corporate - NS Buyeye (1 July 2017 - 31 October 2017)

Annual Remuneration	407 802	-
Acting allowance	313 599	-
Leave payout	25 096	-
Annual Bonuses	33 984	-
Contributions to UIF, Medical and Pension Funds	111 884	-
Car allowance	96 624	-
Industrial council and SDL	8 580	-
	997 569	-

Corporate Services Director - LV Nqoko Rametse (1 November 2017 - 30 June 2018)

Annual Remuneration	165 799	499 394
Acting allowance	235 315	-
Leave payout	57 294	-
Car Allowance	50 000	150 000
Performance Bonuses	-	94 080
Contributions to UIF, Medical and Pension Funds	46 277	144 573
Industrial council and SDL	5 042	89 000
	559 727	977 047

Director Corporate Services was acting Municipal Manager from 1 July 2017 to 31 October 2017.

Community Services Manager - TA Lekwala

Annual Remuneration	398 253	370 950
Car Allowance	96 624	90 000
Leave payout	24 508	-
Annual Bonuses	33 188	-
Contributions to UIF, Medical and Pension Funds	136 405	129 779
Long service bonus	11 948	30 913
Industrial council and SDL	5 726	6 000
	706 652	627 642

Technical Services Director - MN Tsoamo (1 July 2017 - 31 March 2018)

Annual Remuneration	55 309	663 708
Leave payout	48 246	-
Performance Bonuses	-	94 080
Contributions to UIF, Medical and Pension Funds	10 322	129 248
Industrial council and SDL	998	-
	114 875	887 036

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27. Employee related costs (continued)

Acting Municipal Manager - S Moorosi (1 November 2017 - 28 February 2018)

Annual Remuneration	398 253	-
Acting allowance	162 157	-
Car Allowance	96 624	-
Annual Bonuses	33 188	-
Contributions to UIF, Medical and Pension Funds	114 393	-
Long service bonus	19 913	-
Industrial council and SDL	7 170	-
Housing allowance	9 559	-
	841 257	-

Acting Technical Services Director - S Shamase (1 April 2018 - 30 June 2018)

Annual Remuneration	631 814	-
Acting allowance	352 799	-
Contributions to UIF, Medical and Pension Funds	1 785	-
Industrial council and SDL	10 008	-
	996 406	-

Total Employee costs

Total employee related costs	67 392 782	61 698 815
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28. Remuneration of councillors

Executive Major	702 724	615 052
Chief Whip	263 433	263 297
Councillors	2 181 432	2 017 434
Medical Aid Contributions	144 363	95 186
Pension Contributions	-	21 032
Motor vehicle allowance	139 258	160 935
Cell phone and other allowances	277 200	186 608
Housing allowance	-	12 593
Skills Development Levy	37 430	34 228
	3 745 840	3 406 365

In-kind benefits

Councillors remuneration was within the upper limits as per the government gazette.

The Councillor occupying the positions of Mayor/Speaker of the municipality serve in a full-time capacity. They are provided with office accommodation and secretarial support at the expense of the municipality in order to enable them to perform their official duties.

The Mayor has use of a vehicle leased from the Government Garage for official duties.

29. Depreciation and amortisation

Infrastructure	19 671 125	23 497 771
Community Assets	2 080 456	2 104 833
Movable Assets	1 113 677	1 313 520
Assets under finance leases	-	194 504
	22 865 258	27 110 628

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29. Depreciation and amortisation (continued)

Due to a change in the estimated useful lives of certain property, plant and equipment depreciation was adjusted as follows:

Change in estimate	Original depreciation	Current year depreciation	Difference
Community assets	47 870	(13 227)	34 643
Infrastructure	7 692 052	(1 969 816)	5 722 236
Movables	491 707	(143 990)	347 717
	8 231 629	(2 127 033)	6 104 596

30. Impairment of assets

Impairments

Property, plant and equipment	288 620	3 131 407
Impairment losses on Property, Plant and Equipment was recognised after indicators for impairment was identified at the reporting date. The assets impaired was either broken or redundant		

31. Finance costs

DBSA Loan	82 193	92 782
Employee benefit obligations	578 900	548 500
Trade and other payables	6 418 577	5 113 780
Finance leases	32 552	41 429
Finance costs incurred by CENTLEC	68 146	77 700
Interest on Landfill Provision	1 424 219	1 282 041
	8 604 587	7 156 232

32. Impairment Losses

Impairment Losses on Financial Assets

Receivables from exchange transactions (exclusive of VAT)	37 498 664	33 389 169
Movement in provision for bad debt (Centlec)	(856 159)	1 266 079
Receivables from non-exchange transactions	1 818 838	6 563 280
Traffic fines	36 841 690	21 505 787
	75 303 033	62 724 315

33. Bulk purchases

Electricity	24 245 674	25 111 920
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34. Contracted services

Contracted services	6 213 108	5 312 107
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34. Contracted services (continued)		
Contracted Services consist of:		
Valuation roll	188 407	164 325
Preparation of fixed asset register	1 706 641	845 148
Traffic management system	890 375	472 600
Danie Marais	-	425 650
Security services	180 578	-
Assistance on financial system	371 243	208 157
Implementation of mSCOA	2 216 064	3 033 000
Other	189 305	163 227
Printing and mailing of municipal accounts	470 495	-
	6 213 108	5 312 107
35. Transfers and subsidies		
Other subsidies		
Donations made towards students	-	2 700
36. General expenses		
Advertising	319 923	178 743
Auditors remuneration	5 367 103	4 737 436
Bank charges	448 041	281 105
Cleaning	227 936	20 084
Commission paid	58 389	-
Computer expenses	502 901	1 296 320
Consulting and professional fees	365 155	163 815
Consumables	155 567	368 527
Entertainment	14 121	38 432
Insurance	395 988	434 868
Medical expenses	-	69 120
Motor vehicle expenses	129 200	94 507
Fuel and oil	1 436 725	1 961 112
Postage and courier	4 278	243 014
Printing and stationery	697 872	400 208
Protective clothing	733 115	44 912
Repairs and maintenance	6 229 024	3 991 399
Subscriptions and membership fees	696 546	700 048
Telephone and fax	2 054 819	1 631 191
Transport and freight	3 400	9 128
Training	85 085	76 600
Travel - local	1 497 185	1 571 162
Electricity	4 671 273	4 018 126
Wellness	5 766	84 541
Cattle Feed	1 798	15 740
Electricity Network Charges	-	380 632
Special Programs	239 982	1 179 244
Disaster fund	1 423	-
Chemicals	2 994 051	1 183 437
Other expenses	-	7 914
	29 336 666	25 181 365

The amounts disclosed above for Other General Expenses are in respect of costs incurred in the general management of the municipality and not directly attributable to a specific service or class of expense.

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37. Cash generated from operations		
Surplus (deficit)	23 837 024	(9 249 483)
Adjustments for:		
Depreciation and amortisation	22 865 258	27 110 628
Gain on sale of assets and liabilities	1 150 663	1 041 190
Impairment Losses on Property, Plant and Equipment	288 620	3 131 407
Fair value adjustments	(32 726)	10 648
Movement in Biological Assets	(43 345)	(111 725)
Actuarial gains and losses	(219 600)	(576 500)
Expenditure incurred by Centlec - non-cash	28 808 663	32 214 637
Sale of electricity by Centlec - non-cash	(25 972 337)	(25 991 338)
Changes in working capital:		
Receivables from exchange transactions	(804 623)	38 410
Inventories	(114 796)	(80 059)
Receivables from non-exchange transactions	(7 333 166)	(1 259 958)
Payables from exchange transactions	18 538 518	(396 874)
VAT	(7 781 634)	(3 273 361)
Unspent conditional grants and receipts	(6 706 374)	25 976 166
Consumer deposits	(17 115)	7 527
Long term liabilities	154 878	(211 754)
Provisions	1 424 220	1 282 041
	48 042 128	49 661 602

38. Financial instruments disclosure

Categories of financial instruments

2018

Financial assets

	At fair value	At amortised cost	Total
Receivables from Exchange transactions - Electricity	-	3 439 306	3 439 306
Receivables from Exchange transactions - Water	-	1 303 303	1 303 303
Receivables from Exchange transactions - Sewerage	-	783 822	783 822
Receivables from Exchange transactions - Refuse	-	262 138	262 138
Receivables from exchange transactions - Other	-	107 939	107 939
Receivables from Non-Exchange transactions	-	17 500 403	17 500 403
Cash and cash equivalents - Call deposits	-	4 577 226	4 577 226
Cash and cash equivalents - Cash floats and advances	-	1 180	1 180
Non-current investments - Investment in OVK shares	373 706	-	373 706
	373 706	27 975 317	28 349 023

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38. Financial instruments disclosure (continued)

Financial liabilities

	At amortised cost	At cost	Total
Government loans	492 660	-	492 660
Centlec payable	-	35 288 566	35 288 566
Other loans	585 919	-	585 919
Trade and other payables from exchange transactions	31 784 731	-	31 784 731
Payments received in advance	4 450 716	-	4 450 716
Consumer deposits	801 236	-	801 236
	38 115 262	35 288 566	73 403 828

2017

Financial assets

	At fair value	At amortised cost	Total
Receivables from Exchange transactions - Electricity	-	3 884 528	3 884 528
Receivables from Exchange transactions - Water	-	1 038 172	1 038 172
Receivables from Exchange transactions - Sewerage	-	456 014	456 014
Receivables from Exchange transactions - Refuse	-	118 665	118 665
Receivables from Exchange transactions - Other	-	39 725	39 725
Receivables from Non - Exchange transactions	-	10 167 237	10 167 237
Cash and cash equivalents - Call deposits	-	15 952 073	15 952 073
Cash and cash equivalents - Cash floats and advances	-	1 180	1 180
Non - current investments - Investments in OVK shares	340 979	-	340 979
	340 979	31 657 594	31 998 573

Financial liabilities

	At amortised cost	At cost	Total
Government loans	694 682	-	694 682
Centlec payable	-	31 068 753	31 068 753
Other loans	681 461	-	681 461
Trade and other payables from exchange transactions	24 075 787	-	24 075 787
Payments received in advance	3 008 243	-	3 008 243
Consumer deposits	818 351	-	818 351
	29 278 524	31 068 753	60 347 277

Financial Assets pledged as security

A pledge of R25 000 in favour of Eskom is held with First National Bank.

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39. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Property, plant and equipment	39 689 104	60 379 419
Not yet contracted for and authorised by accounting officer		
• Property, plant and equipment	135 317 608	36 428 390
Total capital commitments		
Already contracted for but not provided for	39 689 104	60 379 419
Not yet contracted for and authorised by accounting officer	135 317 608	36 428 390
	175 006 712	96 807 809

The figure disclosed for commitments above is inclusive of Value Added Tax (VAT).

40. Contingencies

SALA Pension Fund

A notice of motion has been issued against the Municipality in respect of R34 026 361 owed to SALA Pension Fund. The matter relates to long outstanding contributions (members' portions as well as council contributions) and interest charged on these amounts. The full amount is included in note 15 under staff salaries and third parties. At 30 June 2018 the estimated outflow of funds relating to legal fees are R nil.

SAMWU Provident Fund

A notice of motion has been issued against the Municipality in respect of R5 378 742 owed to SALA Pension Fund. The matter relates to long outstanding contributions (members' portions as well as council contributions) and interest charged on these amounts. The full amount is included in note 15 under staff salaries and third parties. At 30 June 2018 the estimated outflow of funds relating to legal fees are R nil.

ISA & Partners Engineers

A notice of motion has been issued against the Municipality by ISA and Partners Engineers. The notice of motion has been issued against the municipality after the contract of the engineer was terminated due to the fact that they did not adhere to the terms of their appointment. The notice was issued in respect of invoices the engineer claims to be outstanding with corresponding interest levied on these invoices. This matter is currently under investigation by the Municipality.

Sello Maphasa

This matter deals with a dispute between the Municipality and the above mentioned claimant where there is a dispute regarding the ownership of approximately 40 cattle. At 30 June 2018 the estimated outflow of funds relating to legal fees are R70 000.00.

Johnny Bravo

A dispute between the contractor and Mohokare Local Municipality is currently underway pertaining to outstanding retention fees. Negotiations are currently underway and the best estimate of managements' financial exposure is estimated as at 30 June 2018.

-	-
-	-
-	-
-	-
480 642	480 642
480 642	480 642

Contingent assets

The municipality was not engaged in any transaction or event during the year under review involving Contingent Assets.

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41. Related parties

Relationships

Acting Municipal Manager / Director Corporate Services - LV	Info Com Biz Centre & Sabbath Business
NqokoRametse	Consultancy
Councillor - L Lekhula	Lekula Constructions
Councillor - IS Riddle	Nick's Place Guesthouse
Unit Manager Rouxville - MS Matamane	Leamo (Pty) Ltd
Local Economic Development Manager - NS Buyeye	Business (Zastron)

All related party transactions are conducted at arm's length, unless stated otherwise.

Please refer to note 27 for the disclosure of remuneration of key personnel and to note 28 for the disclosure of councillors remuneration.

Related party balances

Councillors' Consumer Accounts

Councillor Lekhula L	-	2 004
Councillor Riddle IS	480	1 862
Councillor Lephuting M	19 132	17 756
Councillor Lipholo LJ	66 979	62 803
Councillor Lobi BJ	29 125	25 979

Section 56 Managers' Consumer Accounts

Technical Service Director - MN Tsoamotse	-	3 846
Acting Corporate Services Director - Buyeye NS	57 523	-

During the year the municipality rendered services to related parties that are related to the municipality in the form of rates, services, and sundry charges which is in the normal flow of business.

The services rendered to related parties are charged at approved tariffs that were advertised to the public.

The amounts outstanding are unsecured and will be settled in cash. Consumer deposits were received from Councillors, the Municipal Manager and Section 56 personnel.

The municipality did not buy goods from any companies which can be considered to be related parties.

In terms of the MFMA, the municipality may not grant loans to its Councillors, Management, staff and public with effect of 1 July 2004. No loans are receivable from Councillors, Management, staff and the public.

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42. Prior period errors

The following adjustments were made during the current financial year to prior period balances:

Correction of credit notes received from the Auditor - General of South Africa:

N14 - During the year under review credit notes were received from the Auditor - General of South Africa that related to the 2016/2017 financial year.

The effect is as follows:

- Decrease in Trade and Other Payables amounting to R743 610
- (Decrease) in Interest paid amounting to R371 554
- (Increase) in Accumulated Surplus amounting to R372 056

Correction of Investment Property:

N13 - During the year under review it was found that the fair value of investment property had to be adjusted. Property that was held for transfer was also identified that needed to be reclassified from investment property to inventory.

The effect is as follows:

- Increase in Investment Property amounting to R33 692 335
- Increase in Inventories amounting to R196 650
- (Increase) in Accumulated Surplus amounting to R33 888 985

Correction of Work in Progress Infrastructure:

N12 - During the year under review it was found that an invoice with regards to the 2016/2017 financial year was only included in the 2017/2018 financial year.

The effect is as follows:

- Increase in WIP Infrastructure amounting to R300 404
- Increase in the VAT control account amounting to R42 057
- (Increase) in trade and other payables amounting to R342 461

Correction of Work in Progress Infrastructure:

N11 - During the year under review it was found that the water meters balance in the fixed asset register did not agree to the count of water meters.

The effect is as follows:

- Decrease in accumulated surplus amounting to R710 082
- (Decrease) in WIP Infrastructure amounting to R710 082

Correction of Work in Progress Infrastructure:

N10- Contracts for the construction of the 27km raw water pipeline was accounted for in the 2017/2018 financial year instead of the 2016/2017 financial year.

The effect is as follows:

- Increase in WIP Infrastructure amounting to R134 409
- (Increase) in Trade payables amounting to R134 409

Provision for impairment of receivables from exchange transactions VAT correction

N8 - In the 2016/2017 financial year the VAT portion of the movement in the provision for impairment was allocated to bad debt expense instead of the VAT control account.

The effect is as follows:

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42. Prior period errors (continued)

- Increase in VAT receivable amounting to R4 806 148
- (Decrease) in debt impairment expense amounting to R4 806 148

Correction of Payables from exchange transactions

N9 - During the current financial year the outstanding balances for the trade creditors amount was reconciled and corrected.

The effect is as follows:

- Decrease in payables from exchange transactions amounting to R2 458 951.
- (Increase) in accumulated surplus (opening balance) amounting to R2 458 951

Restatement of Property, Plant and Equipment

N1 - Property, Plant and equipment was restated due to changes in the values of certain assets when a condition assessment of assets was performed during the months of July and August 2018. Furthermore there was an adjustment to the landfill site provision. The WIP balance was also corrected.

The effect is as follows:

- Increase in property, plant and equipment (Cost) amounting to R1 355 789
- (Increase) in property, plant and equipment (Accumulated depreciation) amounting to R905 719
- (Increase) in accumulated surplus (opening balance) amounting to R411 905
- (Decrease) in impairment losses expenses amounting to R5 709
- Increase in depreciation expenses amounting to R92 374
- (Decrease) in loss on disposal of assets and liabilities amounting to R124 830

Error in the calculation of the 2017 leave pay provision

N2 - The leave pay provision was re-calculated for the 2016/2017 financial year and errors were identified.

The effect is as follows:

- (Increase) in payables from exchange transactions amounting to R915 838
- Increase in employee related cost expenses amounting to R915 838

Provision for the rehabilitation of landfill sites

N3 - Management reviewed the provision for the rehabilitation of landfill sites based on guidance issued during the year and the following adjustments were made retrospectively.

The effect is as follows:

- Increase in property, plant and equipment (Cost) amounting to R2 992 526
- (Increase) in accumulated surplus (opening balance) amounting to R282 734
- (Increase) in property, plant and equipment (Accumulated depreciation) amounting to R21 692
- (Increase) in provisions amounting to R3 219 518
- Increase in depreciation expense amounting to R21 692
- Increase in finance charges amounting to R509 726

Correction of cash and cash equivalents

N4 - The prior year cash and cash equivalents balances were corrected and all transactions processed.

The effect is as follows:

- Increase in cash and cash equivalents amounting to R1 166 688
- (Decrease) in vat receivable amounting to R513 842
- Decrease in trade and other payables amounting to R1 566 226
- (Increase) in accumulated surplus (opening balance) amounting to R2 592 477

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42. Prior period errors (continued)

- Decrease in interest received amounting to R284 415
- (Decrease) in general expenses bank charges amounting to R6 431
- Increase in general expenses fuel and oil amounting to R164 786
- Increase in finance charges amounting to R1 383
- (Increase) in sundry income amounting to R85 263
- Increase in employee costs amounting to R9 997
- Decrease in traffic fines revenue amounting to R4 518

Incorrect balance of unspent grants relating to RBIG

N5 - During the current financial year the unspent portion for the RBIG loan was corrected to R0 as the prior year closing balance was incorrect

The effect is as follows:

- Decrease in unspent grants amounting to R573 811
- (Increase) in government grants and subsidies received revenue amounting to R573 811

Incorrect balance of unspent grants relating to COGTA

N6 - During the current financial year the unspent portion for the COGTA loan was corrected to R0 as the prior year closing balance was incorrect.

The effect is as follows:

- Decrease in unspent grants amounting to R358 043
- (Increase) in government grants and subsidies received revenue amounting to R358 043

Correction of CENTLEC 2017 loan balance

N7 - The 2017 correction to the Centlec loan that was not allowed in the previous period was corrected in the current financial period.

The effect is as follows:

Additional text

- Increase in receivables from exchange transactions amounting to R1 247 775
- (Increase) in trade and other payables amounting to R30 927
- (Increase) in other financial liabilities amounting to R1 163 986
- (Decrease) in accumulated surplus (opening balance) amounting to R52 862

Statement of Financial Position

	As previously reported	Adjustments	Total
ASSETS			
Current Assets			
Trade receivables from exchange transactions	4 289 329	1 247 775	5 537 104
VAT receivable	12 469 729	4 334 363	16 804 092
Cash and cash equivalents	14 786 565	1 166 688	15 953 253
Inventory	646 536	196 650	843 186
	32 192 159	6 945 476	39 137 635
Non - Current Assets			
Property, plant and equipment	527 023 170	3 145 635	530 168 805
Investment property	22 176 665	33 692 335	55 869 000
	549 199 835	36 837 970	586 037 805

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Figures in Rand	2018	2017
42. Prior period errors (continued)		
LIABILITIES		
Current liabilities		
Payables from exchange transactions	(76 171 414)	3 345 152 (72 826 262)
Unspent conditional grants and receipts	(32 151 931)	931 854 (31 220 077)
	(108 323 345)	4 277 006 (104 046 339)
Non - Current liabilities		
Other financial liabilities	(31 086 799)	(1 163 986) (32 250 785)
Provisions	(9 622 855)	(3 219 518) (12 842 373)
	(40 709 654)	(4 383 504) (45 093 158)
Accumulated surplus	(435 872 718)	(43 676 948)(479 549 666)
Statement of Financial Performance	As previously reported	Adjustments Total
REVENUE		
Revenue from exchange transactions		
Other income	(349 405)	(85 263) (434 668)
Interest received	(3 944 495)	284 415 (3 660 080)
	(4 293 900)	199 152 (4 094 748)
Revenue from non - exchange transactions		
Government grants and subsidies	(103 877 920)	(931 854)(104 809 774)
Fines, penalties and forfeits	(26 709 300)	4 518 (26 704 782)
	(130 587 220)	(927 336)(131 514 556)
EXPENDITURE		
Employee related cost	60 772 980	925 835 61 698 815
Depreciation and amortisation	26 996 562	114 066 27 110 628
Impairment losses	3 137 116	(5 709) 3 131 407
Finance costs	7 016 677	139 555 7 156 232
Loss on disposal of assets	1 166 020	(124 830) 1 041 190
General expenses	25 023 010	158 355 25 181 365
Debt impairment	67 530 463	(4 806 148) 62 724 315
	191 642 828	(3 598 876) 188 043 952
Deficit for the year	(13 576 543)	4 327 060 (9 249 483)
Cash flow statement	As previously reported	Adjustments Total
Cash receipts from customers	108 351 412	(96 988 960) 11 362 452
Grants	-	130 785 940 130 785 940
Interest income	3 499 495	160 585 3 660 080
Dividends received	9 505	- 9 505
Cash paid to suppliers and employees	(62 717 609)	62 717 609 -
Finance costs	(134 211)	(6 944 321) (7 078 532)
Employee costs	-	(55 850 528) (55 850 528)
Remuneration of councillors	-	(3 406 365) (3 406 365)
Suppliers	-	(29 820 950) (29 820 950)
Net cash flow from operating activities	49 008 592	653 010 49 661 602

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42. Prior period errors (continued)

	As previously reported	Adjustments	Total
Purchases of property, plant and equipment	(40 694 741)	555 107	(40 139 634)
Finance lease payments	143 838	138 825	282 663
Repayment of borrowings	-	(180 254)	(180 254)
Cash flow from financing activities	143 838	(41 429)	102 409
Net increase/(decrease) in cash and cash equivalents	8 457 689	1 166 688	9 624 377
Cash and cash equivalents at the beginning of the year	6 328 876	-	6 328 876
Cash and cash equivalents at the end of the year	14 786 565	1 166 688	15 953 253
Cash generated from operations note	As previously reported	Adjustments	Total
(Deficit) / surplus	(13 576 543)	4 327 060	(9 249 483)
Depreciation and amortisation	26 996 562	114 066	27 110 628
Gain on sale of assets and liabilities	1 166 020	(124 830)	1 041 190
Impairment losses property, plant and equipment	3 137 116	(5 709)	3 131 407
Fair value adjustments	10 648	-	10 648
Finance costs - Landfill sites	772 315	(772 315)	-
Finance costs - Employee benefit obligation	548 500	(548 500)	-
Cattle additions	(49 275)	49 275	-
Debt impairment	77 700	(77 700)	-
Impairment on financial assets	67 530 463	(67 530 463)	-
Movement in biological assets	(111 725)	-	(111 725)
Actuarial gains and losses	(576 500)	-	(576 500)
Expenditure incurred by Centlec	32 234 855	(20 218)	32 214 637
Finance costs - Landfill site provision	5 483 951	(5 483 951)	-
Donations on payables	(2 545 279)	2 545 279	-
Interest charged on trade and other receivables	(432 125)	432 125	-
Sale of electricity by Centlec	(26 062 309)	70 971	(25 991 338)
Receivables from exchange transactions	(42 904 013)	42 942 423	38 410
Inventories	116 590	(196 649)	(80 059)
Receivables from non-exchange transactions	(25 843 678)	24 583 720	(1 259 958)
Payables from exchange transactions	(5 712 575)	5 315 701	(396 874)
VAT	1 839 874	(5 113 235)	(3 273 361)
Unspent conditional grants and receipts	26 908 020	(931 854)	25 976 166
Consumer deposits	-	7 527	7 527
Long term liabilities	-	(211 754)	(211 754)
Provisions	-	1 282 041	1 282 041
	49 008 592	653 010	49 661 602

The following adjustments were made to the Financial Instruments disclosure note from the prior year due to above mentioned prior period errors.

2017

Financial assets

	As previously reported	Adjusted	Adjusted balance
Receivables from exchange transactions - Electricity (At amortised cost)	3 696 935	187 593	3 884 528
Receivables from non exchange transactions (At amortised cost)	5 807 803	4 359 434	10 167 237
Cash and cash equivalents - Call deposits (At amortised cost)	31 615 183	(15 663 110)	15 952 073
	41 119 921	(11 116 083)	30 003 838

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2017

42. Prior period errors (continued)

2017

Financial liabilities

	As previously reported	Adjusted	Adjusted balance
Centlec payable (At cost)	23 570 114	7 498 639	31 068 753
Other loans (At amortised cost)	777 003	(95 542)	681 461
Trade and other payables (At amortised cost)	37 915 552	(13 839 765)	24 075 787
Payments received in advance (At amortised cost)	4 917 051	(1 908 808)	3 008 243
Consumer deposits (At amortised cost)	814 120	4 231	818 351
	67 993 840	(8 341 245)	59 652 595

Statement of financial position

N1 - Property, plant and equipment (Cost)	1 355 789	1 355 789
N1 - Property, plant and equipment (Accumulated depreciation)	(905 719)	(905 719)
N1 - Accumulated surplus	(450 070)	(411 905)
N2 - Payables from exchange transactions	(915 838)	(915 838)
N2 - Accumulated surplus	915 838	-
N3 - Property, plant and equipment (Cost)	2 992 526	2 992 526
N3 - Accumulated surplus	248 684	(282 734)
N3 - Property, plant and equipment (Accumulated depreciation)	(21 692)	(21 692)
N3 - Provisions	(3 219 518)	(3 219 518)
N4 - Cash and cash equivalents	1 166 688	1 166 688
N4 - VAT Control	(513 842)	(513 842)
N4 - Trade and other payables	1 566 226	1 566 226
N4 - Accumulated surplus	(2 219 072)	(2 592 477)
N5 - Unspent grants	-	573 811
N5 - Accumulated surplus	(573 811)	-
N6 - Unspent grants	-	358 043
N6 - Accumulated surplus	(358 043)	-
N7 - Receivables from exchange transactions	1 247 775	1 247 775
N7 - Accumulated surplus	(52 862)	(52 862)
N7 - Trade and other payables	(30 927)	(30 927)
N7 - Other financial liabilities	(1 163 986)	(1 163 986)
N8 - VAT Control	4 806 148	4 806 148
N8 - Accumulated surplus	(4 806 148)	-
N9 - Payables from exchange transactions	2 458 951	2 458 951
N9 - Accumulated surplus	(2 458 951)	(2 458 951)
N10 - Property plant and equipment	-	134 409
N10 - Trade payables	-	(134 409)
N11 - Accumulated surplus	710 082	710 082
N11 - Property plant and equipment	(710 082)	(710 082)
N12 - Property plant and equipment	-	300 404
N12 - VAT	-	42 057
N12 - Trade and other payables	-	(342 461)
N13 - Investment property	33 692 335	33 692 335
N13 - Inventories	196 650	196 650
N13 - Accumulated surplus	(33 888 985)	(33 888 985)
N14 - Trade and other payables	-	743 610
N14 - Accumulated surplus	-	(372 056)

Statement of Financial Performance

N1 - Impairment losses	-	(5 709)
N1 - Depreciation expense	-	92 374
N1 - Loss on disposal of assets and liabilities	-	(124 830)
N2 - Employee related costs	-	915 838
N3 - Depreciation expense	-	21 692
N3 - Finance charges	-	509 726
N4 - Interest received	-	284 415
N4 - General expenses - Bank charges	-	(6 431)

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42. Prior period errors (continued)		
N4 - General expenses - Fuel and oil	-	164 786
N4 - Finance costs	-	1 383
N4 - Sundry income	-	(85 263)
N4 - Employee costs	-	9 997
N4 - Traffic fines revenue	-	4 518
N5 - Government grants and subsidies received	-	(573 811)
N6 - Government grants and subsidies received	-	(358 043)
N8 - Debt impairment	-	(4 806 148)
N14 - Interest paid - Trade and other payables	-	(371 554)

Property, Plant and Equipment - N1

	Carrying value per signed 2016/17 AFS	Adjustments made to Cost	Adjustments made to Accumulated Depreciation	Reclassification of assets	Adjusted Carrying value
Buildings	16 983 142	-	-	(9 510 438)	7 472 704
Infrastructure Assets	453 071 379	6 157 387	(3 383 729)	1 912 328	457 757 365
Community Facilities	50 271 241	(3 364 805)	3 364 805	(11 931 725)	38 339 516
Movable Assets	6 697 408	1 555 634	(908 487)	-	7 344 555
Land	-	-	-	19 529 934	19 529 934
	527 023 170	4 348 216	(927 411)	99 530 444	074

Property, Plant and Equipment (Included in the above correction was the following WIP correction)- N1

	Carrying value per signed 2016/17 AFS	Adjustments	Adjusted Balance
WIP - Infrastructure assets	183 507 130	(297 777)	183 209 353

43. Comparative figures

Certain comparative figures have been reclassified.

44. Risk management

Financial risk management

The Accounting Officer has overall responsibility for the establishment and oversight of the municipality's risk management framework. The municipality's risk management policies are established to identify and analyse the risks faced by the municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

The Directorate: Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Risk management policies and systems are reviewed regularly to reflect changes to market conditions and the municipality's activities, and compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

The Corporate Treasury function reports quarterly to the municipality's risk management committee, an independent body that monitors risks and policies implemented to mitigate risk exposures.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

Further quantitative disclosures are included throughout these Annual Financial Statements.

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44. Risk management (continued)

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, municipality treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the municipality's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

30 June 2018

	Less than 1 year	Between one and two years	Between two to five years	Over five years
Other financial liabilities (Borrowings)	223 564	269 069	-	-
Payables from exchange transactions	31 784 731	-	-	-
Centlec Payable	35 288 566	-	-	-
	67 296 861	269 069	-	-

30 June 2017

	Less than one year	Between one and two years	Between two and five years	Over five years
Other financial liabilities (Borrowings)	194 111	197 491	303 080	-
Payables from exchange transactions	24 075 787	-	-	-
Centlec Payable	31 068 753	-	-	-
	55 338 651	197 491	303 080	-

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44. Risk management (continued)

Credit risk

Credit Risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy, as a means of mitigating the risk of financial loss from defaults. The municipality uses its own trading records to assess its major customers. The municipality's exposure of its counterparties are monitored regularly.

Potential concentrations of credit rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

Investments/Bank, Cash and Cash Equivalents

The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with well-established financial institutions of high credit standing. The credit exposure to any single counterparty is managed by setting transaction / exposure limits, which are included in the municipality's Investment Policy. These limits are reviewed annually by the Chief Financial Officer and authorised by the Council.

Trade and Other Receivables

Trade and Other Receivables are amounts owed by consumers and are presented net of impairment losses. The municipality has a credit risk policy in place and the exposure to credit risk is monitored on an ongoing basis. The municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services without recourse to an assessment of creditworthiness. Subsequently, the municipality has no control over the approval of new customers who acquire properties in the designated municipal area and consequently incur debt for rates, water and electricity services rendered to them.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

The municipality limits this risk exposure in the following ways, in addition to its normal credit control and debt management procedures:

- The application of section 118(3) of the Municipal Systems Act (MSA), which permits the municipality to refuse connection of services whilst any amount remains outstanding from a previous debtor on the same property;
- A new owner is advised, prior to the issue of a revenue clearance certificate, that any debt remaining from the previous owner will be transferred to the new owner, if the previous owner does not settle the outstanding amount;
- The consolidation of rates and service accounts, enabling the disconnecting services for the non-payment of any of the individual debts, in terms of section 102 of the MSA;
- The requirement of a deposit for new service connections, serving as guarantee and are reviewed annually;
- Encouraging residents to install water management devices that control water flow to households, and/or prepaid electricity meters.

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position, without taking into account the value of any collateral obtained. The municipality has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographical area.

The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.

Payment of accounts of consumer debtors, who are unable to pay, are renegotiated as an ongoing customer relationship in response to an adverse change in the circumstances of the customer in terms of the Credit Control and Debt Collection Policy.

Other Debtors are individually evaluated annually at reporting date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

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44. Risk management (continued)

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. Concentration of credit risk did not exceed 5% of gross monetary assets at any time during the year. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the municipality's income or the value of its holdings in Financial Instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The municipality's activities expose it primarily to the financial risks of changes in interest rates. No formal policy exists to hedge volatilities in the interest rate market.

There has been no change to the municipality's exposure to market risks or the manner in which it manages and measures risk.

Interest rate risk

Interest rate risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Financial assets and liabilities that are sensitive to interest rate risk are investments and loan payables. The municipality is exposed to interest rate risk on these financial instruments as the rates applicable are floating interest rates.

Potential concentrations of interest rate risk consist mainly of consumer debtors, other debtors, bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with well-established financial institutions of high credit standing. No investment with a tenure exceeding twelve months shall be made without consultation with the councillor responsible for financial matters.

Consumer debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. On-going credit evaluations are performed on the financial condition of these debtors. Consumer debtors are presented net of a provision for impairment.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy. Consumer Deposits are increased accordingly.

Long-term receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment and discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment/discounting, where applicable.

Price risk

The municipality is exposed to equity securities price risk because of investments held by the municipality and classified on the consolidated statement of financial position either as available-for-sale or at fair value through surplus or deficit. The municipality is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the municipality diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the municipality.

45. Going concern

We draw attention to the fact that at 30 June 2018, the municipality had an accumulated surplus (deficit) of R 503 386 690 and that the municipality's total liabilities exceed its assets by R 503 386 690.

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45. Going concern (continued)

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality.

The municipality has experienced the following significant challenges during the year:

1. The municipality has been deducting Pension and Provident fund contributions from employees' salaries, but has not been able to pay the amounts over to the third parties;
2. The municipality has long outstanding creditors and has not been able to comply with section 65 of the MFMA which requires that the creditors be paid within 30 days;
3. The municipality has unspent conditional grants to the value of R24,5 million at 30 June 2018, however the bank balances of the municipality at year end is less than the amount reported for unspent conditional grants;
4. The municipality has been collecting less than 10% of its revenue billed on services and taxes from its customers given the fact that it is a rural area and many of its customers are unemployed.

Management further considered the following matters relating to the going concern:

- (i) On 30 May 2018 the Council adopted the 2018/2019 budget. This 3 year medium term revenue and expenditure framework to support the ongoing delivery of municipal services to residents reflected that the budget was cash backed over the 3 year period.
- (ii) The municipality's budget is subjected to a very rigorous independent assessment process to assess its cash backing status before it is ultimately approved by Council.
- (iii) Strict daily cash management processes are embedded in the municipality's operations to manage and monitor all actual cash inflows and cash outflows in terms of the cash flow forecast supporting the budget. The cash management processes is complemented by monthly reporting, highlighting the actual cash position, including the associated risks and remedial actions to be instituted.
- (iv) Certain key financial ratios, such as liquidity, cost coverage, debtors' collection rates and creditors payment terms will be closely monitored and the necessary corrective actions instituted. For the 2017/2018 financial year an increase in the creditors balances, creditors payment period and creditors as a percentage of cash and cash equivalents were identified. This may indicate the potential challenge that the municipality will not be able to make payments to suppliers and service providers within the normal 30 day timeframe.
- (v) The municipality's cash management was under pressure during the 2017/2018 financial period due to an amount of R10.894 million being withheld from equitable share receivable. The funds were withheld due to Municipal Water Infrastructure Grants (Conditional) that were not utilised in the past. Irrespective of the pressure that this has placed on the Municipality, they still managed to have a positive bank balance at the end of 2017/2018. The amount however, relates to unspent conditional grant funding which were paid to the Municipality.

Further matters to which we would like to draw the attention of the user of the annual financial statements includes:

1. The municipality incurred a profit for the 2017/2018 financial year. There was however non-financial items such as depreciation (R22 million) and debt impairment (R75 million).
2. The municipality entered into payment arrangements with both the pension and provident funds in respect of long outstanding amounts owed to the funds as per the disclosure of Contingencies under note 40.
3. The significant increase in the amount raised as a provision for impairment of consumer debtors raises a further concern. This was brought on by the poor collection rate. The debt collection policy will be revised by Council and currently processes are underway to appoint a service provider to assist with revenue collection.

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45. Going concern (continued)

These are factors that may impair the likelihood of the municipality to continue as a going concern, but the accounting officer will continue to source funding from Treasury and other sphere's of government to ensure that its challenges are addressed.

Taking the aforementioned into account, management has prepared the Annual Financial Statements on the Going Concern Basis.

46. Events after the reporting date

No events having financial implications requiring disclosure occurred subsequent to 30 June 2018.

47. Unauthorised expenditure

Opening balance	210 994 025	151 632 945
Unauthorised expenditure - Current year	43 331 896	59 361 080
Amounts identified in current year relating to prior year	119 037 540	-
Less: Amounts condoned by council	(117 472 722)	-
	255 890 739	210 994 025

The unauthorised expenditure is based on the differences between budgeted amounts and actual expenditures per unit. No incidents were noticed where payments were made by unauthorised personnel. The major contributor relates to the Impairment of debtors that was not fully budgeted for, interest charges in respect of non-payment of outstanding trade and salary creditors and contracted services which was not fully budgeted for.

48. Fruitless and wasteful expenditure

Opening balance	12 344 938	6 860 987
Fruitless and wasteful expenditure - Current year	11 606 551	5 483 951
Less: Amounts condoned by council	(5 466 584)	-
	18 484 905	12 344 938

Fruitless and wasteful expenditure for the year includes interest on overdue accounts and fines and penalties levied by SARS on the late payment of employee related taxes.

49. Irregular expenditure

Opening balance	20 241 445	15 225 097
Add: Irregular Expenditure - current year	10 550 309	5 016 348
	30 791 754	20 241 445

50. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance	2 252 179	1 900 981
Current year subscription / fee	685 490	641 885
Amount paid - current year	(407 500)	(310 368)
Interest charged	20 421	19 681
	2 550 590	2 252 179

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50. Additional disclosure in terms of Municipal Finance Management Act (continued)

Audit fees

Opening balance	2 772 363	3 526 708
Current year audit fee	5 367 103	5 368 373
VAT charged on audit fees	752 323	-
Interest charged	370 930	371 554
Credit notes towards interest charges	(226 149)	(371 554)
Amount paid - previous years	(1 457 619)	(2 050 578)
Donations received towards audit fees	(6 554 761)	(4 072 140)
	1 024 190	2 772 363

PAYE and UIF

Opening balance	2 859 608	1 539 164
Current year payroll deductions	7 987 246	7 404 836
Amount paid - current year	(6 750 834)	(5 082 176)
Amount paid - previous years	-	(1 585 969)
Penalties and interest	998 688	583 753
	5 094 708	2 859 608

Pension and Medical Aid Deductions

Opening balance	31 948 253	24 740 616
Current year subscription / fee	16 756 718	15 451 238
Amount paid - current year	(13 704 114)	(5 452 491)
Amount paid - previous years	-	(7 060 162)
Interest accrual	5 016 726	4 269 052
	40 017 583	31 948 253

VAT

VAT receivable	24 964 658	16 804 092
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All VAT returns have been submitted throughout the year.

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50. Additional disclosure in terms of Municipal Finance Management Act (continued)

Councillors' arrear consumer accounts

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

30 June 2018

	Highest outstanding amount	Aging (in days)
Councillor M Lephuting	19 132	120
Councillor LJ Lipholo	66 979	120
Councillor BJ Lobi	29 125	120
Councillor IS Riddle	480	30
	115 716	390

30 June 2017

	Highest outstanding amount	Aging (in days)
Councillor L Lekhula	1 295	90
Councillor M Lephuting	16 226	90
Councillor LJ Lipholo	60 643	90
Councillor BJ Lobi	24 532	90
Councillor IS Riddle	476	90
	103 172	450

Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by and noted by Council. The expenses incurred as listed hereunder have been condoned.

Incident

Emergencies	715 551	104 000
Strip and quote - Impracticale or Impossible	776 453	460 128
Single provider	370 413	551 985
	1 862 417	1 116 113

Bulk Electricity and Water Losses in terms of Section 125(2)(d)(i) of the MFMA

Electricity Losses	Purchased during the year (kWh)	Sold during the year (kWh)	Unaccounted losses (kWh)	Unit rate per kWh lost	Loss (R)
2018	21 184 169	-15 234 814	5 949 355	1,14	6 702 185
2017	20 517 257	-14 720 957	5 796 300	1,24	7 198 627
					13 900 812

Electricity losses occur due to inter alia, the tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal electricity connections. The problem with tampered meters and illegal connections is an ongoing process, with regular action being taken against defaulters. Faulty meters are replaced as soon as they are reported.

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50. Additional disclosure in terms of Municipal Finance Management Act (continued)

Water Losses	Units (kl)	Value per unit	Value of loss (R)
2018	523 124	4,80	2 509 119
2017	418 949	7,80	3 267 802

Water losses occur due to inter alia leakages, the tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal water connections. The municipality is currently busy with an audit of bulk meters to find faulty meters and repair them. The problem with tampered meters and illegal connections is an ongoing process, with regular action being taken against defaulters. Faulty meters and leakages are replaced/repared as soon as they are reported.

51. Multi-employer Retirement Benefit Information

The municipality makes provision for post-retirement benefits to eligible councillors and employees, who belong to different pension schemes.

Certain councillors belong to the Pension Fund for Municipal Councillors.

Employees belong to a variety of approved Pension and Provident Funds as described below.

These funds are governed by the Pension Funds Act and include both defined benefit and defined contribution schemes.

All of these afore-mentioned funds are multi-employer plans and are subject to either a tri-annual, bi-annual or annual actuarial valuation, details which are provided below.

Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:-

- (i) The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers.
- (ii) One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.
- (iii) The same rate of contribution applies to all participating employers and no regard is paid to differences in the membership distribution of the participating employers.

It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer.

The only obligation of the municipality with respect to the retirement benefit plans is to make the specified contributions. Where councillors / employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.

The Retirement Funds have been valued by making use of the Discounted Cash Flow method of valuation.

SALA Pension Fund:

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed at 30 June 2010.

The statutory valuation performed as at 30 June 2010 revealed that the assets of the fund amounted to R7 110,3 (30 June 2009: R6 303,7) million, with funding levels of 96,0% (30 June 2009: 96,0%). The contribution rate paid by the members (8,6%) and Council (20,78%) is sufficient to fund the benefits accruing from the fund in the future.

SAMWU Pension Fund

No details could be provided for the fund and of any valuation performed.

The contribution rate paid by the members (7,50%) and Council (18,00%) is sufficient to fund the benefits accruing from the fund in the future.

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52. Material non-compliance with the MFMA

1. The municipality did not always pay employee's third party deduction(s) to Benefit Funds on time due to cash-flow constraints.
2. Creditors were not paid within 30 days as per the requirements of the MFMA due to cash-flow constraints and resulted in fruitless and wasteful expenditure (interest) being incurred in certain instances.
3. VAT returns were not submitted in line with the legislated time frames due to system challenges post mSCOA implementation.
4. The municipality incurred irregular expenditure as a result of non-compliance with the relevant legislation governing procurement.
5. MFMA section 71 reports were not always submitted on time due to system challenges post mSCOA implementation.

Appendix A

Schedule of external loans as at 30 June 2018

Loan Number	Redeemable	Balance at 30 June 2017	Increase in loan/interest charged for the period	Redeemed during the period	Balance at 30 June 2018	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
		Rand	Rand	Rand	Rand		
Development Bank of South Africa							
DBSA Loan	1	2016	694 682	82 193	284 215	492 660	-
			694 682	82 193	284 215	492 660	-
Bonds							
Other loans							
Centlec Capital Loans	40021201 to 40027483	2024	681 461	-	95 542	585 919	-
			681 461	-	95 542	585 919	-
Lease liability							
Finance Lease Liabilities		2021	524 935	55 228	580 163	-	-
			524 935	55 228	580 163	-	-
Annuity loans							
Government loans							
Total external loans							
Development Bank of South Africa			694 682	82 193	284 215	492 660	-
Other loans			681 461	-	95 542	585 919	-
Lease liability			524 935	55 228	580 163	-	-
			1 901 078	137 421	959 920	1 078 579	-

Appendix B

Analysis of property, plant and equipment as at 30 June 2018	
Cost/Revaluation	Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Work in Progress Rand	Changes due to change in estimate Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and Buildings														
Building property - housing	10 018 938	-	-	-	-	-	10 018 938	(7 805 389)	-	-	(110 540)	-	(7 915 929)	2 103 009
Building property - Operational Buildings	23 597 021	-	-	-	-	-	23 597 021	(18 337 866)	-	-	(269 656)	-	(18 607 522)	4 989 499
Land	19 529 934	-	-	-	-	-	19 529 934	-	-	-	-	-	-	19 529 934
	53 145 893	-	-	-	-	-	53 145 893	(26 143 255)	-	-	(380 196)	-	(26 523 451)	26 622 442
Infrastructure														
Electricity - LV Network	82 729 076	-	(1 153 152)	-	3 859 359	-	85 435 283	(45 811 470)	787 987	-	(4 494 832)	-	(49 518 315)	35 916 968
Electricity - MV Network	11 528 603	-	(313 900)	-	-	-	11 214 703	(6 484 086)	31 390	-	(336 290)	-	(6 788 986)	4 425 717
Road and Stormwater - Stormwater	28 288 606	-	(24 224)	-	788 226	-	29 052 608	(15 516 409)	23 449	-	(471 477)	-	(15 964 437)	13 088 171
Roads and Stormwater - Traffic Management	556 097	-	-	-	-	-	556 097	(290 724)	-	-	(20 807)	-	(311 531)	244 566
Roads and Stormwater - Road Structures	159 712 216	15 201 089	(1 205 429)	-	-	-	173 707 876	(99 016 697)	1 073 488	-	(4 291 918)	-	(102 235 127)	71 472 749
Sanitation - Buildings and external facilities	230 923	-	-	-	300 800	-	531 723	(137 424)	-	-	(7 279)	-	(144 703)	387 020
Sanitation - Collection/Reticulation Network	117 473 824	-	-	-	-	-	117 473 824	(68 037 464)	-	-	(2 349 627)	-	(70 387 091)	47 086 733
Sanitation - Sewer pump station	7 447 291	-	-	-	-	-	7 447 291	(3 823 577)	-	-	(326 163)	-	(4 149 740)	3 297 551
Sanitation - Waste water treatment	44 229 099	20 055 713	-	-	-	-	64 284 812	(18 711 392)	-	-	(112 505)	-	(18 823 897)	45 460 915
Water - Boreholes	994 907	2 056 064	-	-	187 735 324	-	190 786 295	(746 233)	-	-	(184 522)	-	(930 755)	189 855 540
Water - Bulk Distribution	7 658 995	-	-	-	-	-	7 658 995	(4 595 397)	-	-	(127 650)	-	(4 723 047)	2 935 948
Water - Dam	1 093 476	-	-	-	-	-	1 093 476	(673 304)	-	-	(23 964)	-	(697 268)	396 208
Water - Distribution/Reticulation Network	104 744 526	-	-	-	-	-	104 744 526	(64 242 569)	-	-	(2 473 834)	-	(66 716 403)	38 028 123
Water - Storage	21 472 317	-	-	-	-	-	21 472 317	(13 570 332)	-	-	(536 752)	-	(14 107 084)	7 365 233
Water - Pump Station	11 538 071	-	-	-	-	-	11 538 071	(8 283 394)	-	-	(374 812)	-	(8 658 206)	2 879 865
Water - Treatment	41 197 434	43 669	-	-	-	-	41 241 103	(21 667 291)	-	-	(1 111 351)	-	(22 778 642)	18 462 461
Electricity - Substations and transformers	550 809	-	-	-	-	-	550 809	(175 431)	-	-	(12 732)	-	(188 163)	362 646
	641 446 270	37 356 535	(2 696 705)	-	192 683 709	-	868 789 809	(371 783 194)	1 916 314	-	(17 256 515)	-	(387 123 395)	481 666 414
Community Assets														
Community facilities	49 398 136	-	-	-	-	-	49 398 136	(34 242 262)	-	-	(863 679)	-	(35 105 941)	14 292 195
Sports and recreation facilities	60 537 352	-	-	-	15 003 005	-	75 540 357	(41 172 907)	-	-	(836 582)	-	(42 009 489)	33 530 868
Solid Waste - Landfill Site	8 273 710	-	-	-	-	-	8 273 710	(3 388 774)	-	-	(278 489)	-	(3 667 263)	4 606 447
	118 209 198	-	-	-	15 003 005	-	133 212 203	(78 803 943)	-	-	(1 978 750)	-	(80 782 693)	52 429 510

Appendix B

Analysis of property, plant and equipment as at 30 June 2018	
Cost/Revaluation	Accumulated depreciation

Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Work in Progress Rand	Changes due to change in estimate Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
1 358 101	-	-	-	-	-	1 358 101	(1 358 101)	-	-	-	-	(1 358 101)	-
778 019	-	-	-	-	-	778 019	(778 019)	-	-	-	-	(778 019)	-
159 144	-	(900)	-	-	-	158 244	(118 331)	380	-	(8 037)	-	(125 988)	32 256
31 432	-	(3 286)	-	-	-	28 146	(22 755)	2 455	-	(1 575)	-	(21 875)	6 271
2 450 211	44 644	(168 447)	-	-	-	2 326 408	(1 794 551)	137 307	-	(154 203)	-	(1 811 447)	514 961
6 014 473	330 435	(767 084)	-	-	-	5 577 824	(2 109 478)	105 677	-	(526 596)	-	(2 530 397)	3 047 427
4 654 323	226 223	(455 426)	-	-	-	4 425 120	(2 982 859)	305 277	-	(460 496)	-	(3 138 078)	1 287 042
3 168 947	17 689	(297 488)	-	-	-	2 889 148	(2 106 001)	203 865	-	(253 178)	-	(2 155 314)	733 834
18 614 650	618 991	(1 692 631)	-	-	-	17 541 010	(11 270 095)	754 961	-	(1 404 085)	-	(11 919 219)	5 621 791

Appendix B

Analysis of property, plant and equipment as at 30 June 2018	
Cost/Revaluation	Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Work in Progress Rand	Changes due to change in estimate Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment														
Land and Buildings	53 145 893	-	-	-	-	-	53 145 893	(26 143 255)	-	-	(380 196)	-	(26 523 451)	26 622 442
Infrastructure	641 446 270	37 356 535	(2 696 705)	-	192 683 709	-	868 789 809	(371 783 194)	1 916 314	-	(17 256 515)	-	(387 123 395)	481 666 414
Community Assets	118 209 198	-	-	-	15 003 005	-	133 212 203	(78 803 943)	-	-	(1 978 750)	-	(80 782 693)	52 429 510
Movable assets (incl. assets under finance lease)	18 614 650	618 991	(1 692 631)	-	-	-	17 541 010	(11 270 095)	754 961	-	(1 404 085)	-	(11 919 219)	5 621 791
	831 416 011	37 975 526	(4 389 336)	-	207 686 714	-	1 072 688 915	(488 000 487)	2 671 275	-	(21 019 546)	-	(506 348 758)	566 340 157
Investment properties														
Improved Property	44 162 355	-	-	-	-	-	44 162 355	-	-	-	-	-	-	44 162 355
Unimproved Property	11 706 645	-	-	-	-	-	11 706 645	-	-	-	-	-	-	11 706 645
	55 869 000	-	-	-	-	-	55 869 000	-	-	-	-	-	-	55 869 000
Total														
Land and Buildings	53 145 893	-	-	-	-	-	53 145 893	(26 143 255)	-	-	(380 196)	-	(26 523 451)	26 622 442
Infrastructure	641 446 270	37 356 535	(2 696 705)	-	192 683 709	-	868 789 809	(371 783 194)	1 916 314	-	(17 256 515)	-	(387 123 395)	481 666 414
Community Assets	118 209 198	-	-	-	15 003 005	-	133 212 203	(78 803 943)	-	-	(1 978 750)	-	(80 782 693)	52 429 510
Movable assets (incl. assets under finance lease)	18 614 650	618 991	(1 692 631)	-	-	-	17 541 010	(11 270 095)	754 961	-	(1 404 085)	-	(11 919 219)	5 621 791
Investment properties	55 869 000	-	-	-	-	-	55 869 000	-	-	-	-	-	-	55 869 000
	887 285 011	37 975 526	(4 389 336)	-	207 686 714	-	1 128 557 915	(488 000 487)	2 671 275	-	(21 019 546)	-	(506 348 758)	622 209 157

Appendix B

Analysis of property, plant and equipment as at 30 June 2017

Cost/Revaluation Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Work in progress Rand	Changes due to change in estimate Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and Buildings														
Building property - Housing	10 018 938	-	-	-	-	-	10 018 938	(7 485 410)	-	-	(319 980)	-	(7 805 390)	2 213 548
Building property - Operational Buildings	23 597 021	-	-	-	-	-	23 597 021	(18 049 948)	-	-	(287 918)	-	(18 337 866)	5 259 155
Land	19 529 934	-	-	-	-	-	19 529 934	-	-	-	-	-	-	19 529 934
	53 145 893	-	-	-	-	-	53 145 893	(25 535 358)	-	-	(607 898)	-	(26 143 256)	27 002 637
Infrastructure														
Electricity - LV Network	82 730 907	-	(65 705)	-	223 117	-	82 888 319	(40 678 671)	49 880	-	(4 987 406)	-	(45 616 197)	37 272 122
Electricity - MV Network	11 543 847	-	(29 656)	-	-	-	11 514 191	(6 042 371)	19 076	-	(447 305)	-	(6 470 600)	5 043 591
Roads and Stormwater - Stormwater	28 468 957	-	(166 264)	-	14 179 904	-	42 482 597	(14 939 207)	89 123	-	(513 988)	-	(15 364 072)	27 118 525
Roads and Stormwater - Traffic Management	562 313	-	(151 947)	-	-	-	410 366	(261 575)	85 750	-	(32 470)	-	(208 295)	202 071
Roads and Stormwater - Road Structures	160 782 128	-	(898 091)	-	-	-	159 884 037	(90 493 868)	786 665	-	(9 724 436)	-	(99 431 639)	60 452 398
Sanitation - Buildings and External Facilities	230 923	-	-	-	20 055 713	-	20 286 636	(130 145)	-	-	(7 279)	-	(137 424)	20 149 212
Sanitation - Collection/ Reticulation Network	117 473 824	-	-	-	-	-	117 473 824	(65 687 836)	-	-	(2 349 627)	-	(68 037 463)	49 436 361
Sanitation - Sewer Pump Station	7 483 857	-	(36 566)	-	-	-	7 447 291	(3 473 018)	22 812	-	(373 371)	-	(3 823 577)	3 623 714
Sanitation - Waste Water Treatment	45 013 431	-	(784 333)	-	-	-	44 229 098	(17 485 924)	668 490	-	(1 893 958)	-	(18 711 392)	25 517 706
Water - Boreholes	1 575 615	-	(542 599)	-	148 475 348	-	149 508 364	(1 143 025)	450 365	-	(82 154)	-	(774 814)	148 733 550
Water - Bulk Distribution	7 658 995	-	-	-	-	-	7 658 995	(4 467 747)	-	-	(127 650)	-	(4 595 397)	3 063 598
Water - Dam	1 093 476	-	-	-	-	-	1 093 476	(649 340)	-	-	(23 964)	-	(673 304)	420 172
Water - Distribution/ Reticulation Network	104 744 526	-	-	-	-	-	104 744 526	(61 768 735)	-	-	(2 473 834)	-	(64 242 569)	40 501 957
Water - Storage/ Water Pump Station	34 807 899	39 667	(1 944 972)	-	-	-	32 902 594	(22 552 186)	1 826 311	-	(1 124 218)	-	(21 850 093)	11 052 501
Water - Water Treatment	41 823 176	-	(625 742)	-	-	-	41 197 434	(20 278 232)	372 567	-	(1 761 627)	-	(21 667 292)	19 530 142
Water - JOJO tanks	-	107 794	-	-	-	-	107 794	-	-	-	(3 634)	-	(3 634)	104 160
Electricity - Substation	33 627	-	-	-	-	-	33 627	(17 841)	-	-	(1 072)	-	(18 913)	14 714
Electricity - Transformer	38 080	-	-	-	-	-	38 080	(11 838)	-	-	(949)	-	(12 787)	25 293
Electricity - Other	41 982	-	-	-	-	-	41 982	(11 629)	-	-	(965)	-	(12 594)	29 388
Electricity - Mini substation	437 120	-	-	-	-	-	437 120	(121 390)	-	-	(9 746)	-	(131 136)	305 984
	646 544 683	147 461	(5 245 875)	-	182 934 082	-	824 380 351	(350 214 578)	4 371 039	-	(25 939 653)	-	(371 783 192)	452 597 159
Community Assets														
Buildings - Community Facilities	49 458 292	-	-	-	-	-	49 458 292	(33 308 169)	-	-	(991 634)	-	(34 299 803)	15 158 489
Buildings - Sports and Recreational Facilities	60 537 352	-	(60 157)	-	3 819 198	-	64 296 393	(40 253 093)	57 542	-	(919 814)	-	(41 115 365)	23 181 028
Solid Waste - Landfill Sites	8 273 710	-	-	-	-	-	8 273 710	(3 110 285)	-	-	(278 489)	-	(3 388 774)	4 884 936
	118 269 354	-	(60 157)	-	3 819 198	-	122 028 395	(76 671 547)	57 542	-	(2 189 937)	-	(78 803 942)	43 224 453

Appendix B

Analysis of property, plant and equipment as at 30 June 2017

Cost/Revaluation Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Work in progress Rand	Changes due to change in estimate Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Movable assets (incl. assets under finance lease)														
Leased Assets - Office Equipment	1 358 101	-	-	-	-	-	1 358 101	(1 358 101)	-	-	-	-	(1 358 101)	-
Leased Assets - Motor Vehicles	778 019	-	-	-	-	-	778 019	(583 515)	-	-	(194 504)	-	(778 019)	-
Emergency /Rescue Equipment	177 196	-	(18 052)	-	-	-	159 144	(120 003)	12 459	-	(10 787)	-	(118 331)	40 813
Fire Fighting Equipment/ Fire Hoses	34 224	-	(2 792)	-	-	-	31 432	(22 034)	1 667	-	(2 388)	-	(22 755)	8 677
Furniture and Fittings	2 757 044	9 088	(315 921)	-	-	-	2 450 211	(1 843 393)	243 430	-	(194 588)	-	(1 794 551)	655 660
Motor Vehicles	5 309 489	704 984	-	-	-	-	6 014 473	(1 858 542)	-	-	(250 936)	-	(2 109 478)	3 904 995
Office Equipment	4 543 623	383 249	(272 549)	-	-	-	4 654 323	(2 612 530)	159 855	-	(530 184)	-	(2 982 859)	1 671 464
Plant and Equipment	3 396 391	-	(227 443)	-	-	-	3 168 948	(1 944 260)	165 125	-	(326 866)	-	(2 106 001)	1 062 947
	18 354 087	1 097 321	(836 757)	-	-	-	18 614 651	(10 342 378)	582 536	-	(1 510 253)	-	(11 270 095)	7 344 556

Appendix B

Analysis of property, plant and equipment as at 30 June 2017	
Cost/Revaluation	Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Work in progress Rand	Changes due to change in estimate Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment														
Land and Buildings	53 145 893	-	-	-	-	-	53 145 893	(25 535 358)	-	-	(607 898)	-	(26 143 256)	27 002 637
Infrastructure	646 544 683	147 461	(5 245 875)	-	182 934 082	-	824 380 351	(350 214 578)	4 371 039	-	(25 939 653)	-	(371 783 192)	452 597 159
Community Assets	118 269 354	-	(60 157)	-	3 819 198	-	122 028 395	(76 671 547)	57 542	-	(2 189 937)	-	(78 803 942)	43 224 453
Movable assets (incl. assets under finance lease)	18 354 087	1 097 321	(836 757)	-	-	-	18 614 651	(10 342 378)	582 536	-	(1 510 253)	-	(11 270 095)	7 344 556
	836 314 017	1 244 782	(6 142 789)	-	186 753 280	-	1 018 169 290	(462 763 861)	5 011 117	-	(30 247 741)	-	(488 000 485)	530 168 805
Investment properties														
Improved Property	44 162 355	-	-	-	-	-	44 162 355	-	-	-	-	-	-	44 162 355
Unimproved Property	11 706 645	-	-	-	-	-	11 706 645	-	-	-	-	-	-	11 706 645
	55 869 000	-	-	-	-	-	55 869 000	-	-	-	-	-	-	55 869 000
Total														
Land and Buildings	53 145 893	-	-	-	-	-	53 145 893	(25 535 358)	-	-	(607 898)	-	(26 143 256)	27 002 637
Infrastructure	646 544 683	147 461	(5 245 875)	-	182 934 082	-	824 380 351	(350 214 578)	4 371 039	-	(25 939 653)	-	(371 783 192)	452 597 159
Community Assets	118 269 354	-	(60 157)	-	3 819 198	-	122 028 395	(76 671 547)	57 542	-	(2 189 937)	-	(78 803 942)	43 224 453
Movable assets (incl. assets under finance lease)	18 354 087	1 097 321	(836 757)	-	-	-	18 614 651	(10 342 378)	582 536	-	(1 510 253)	-	(11 270 095)	7 344 556
Investment properties	55 869 000	-	-	-	-	-	55 869 000	-	-	-	-	-	-	55 869 000
	892 183 017	1 244 782	(6 142 789)	-	186 753 280	-	1 074 038 290	(462 763 861)	5 011 117	-	(30 247 741)	-	(488 000 485)	586 037 805

Appendix C

Segmental analysis of property, plant and equipment as at 30 June 2018	
Cost/Revaluation	Accumulated Depreciation
Land and buildings Cost Revaluation	Accumulated Depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Work in Progress Rand	Changes due to change in estimate Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Additions Rand	Impairment deficit Rand	Closing Balance Rand	Carrying value Rand
Municipality														
Executive & Council/Mayor and Council	1 210 237	366 372	(59 817)	-	-	-	1 516 792	(696 408)	43 099	-	(106 920)	-	(760 229)	756 563
Finance & Admin/Finance	34 701 974	135 812	(1 086 659)	-	-	-	33 751 127	(25 283 557)	353 653	-	(1 044 190)	-	(25 974 094)	7 777 033
Planning and Development/Economic Development/Plan	51 491	-	-	-	-	-	51 491	(35 600)	-	-	(4 684)	-	(40 284)	11 207
Comm. & Social/Libraries and archives	47 807 386	9 745	(93 267)	-	15 003 005	-	62 726 869	(32 609 370)	74 797	-	(865 058)	-	(33 399 631)	29 327 238
Housing	19 471 293	-	(488)	-	-	-	19 470 805	(7 836 404)	213	-	(117 871)	-	(7 954 062)	11 516 743
Public Safety/Police	291 452	-	(6 569)	-	-	-	284 883	(188 558)	5 433	-	(13 025)	-	(196 150)	88 733
Sport and Recreation	72 318 405	-	(1 621)	-	-	-	72 316 784	(43 120 063)	1 468	-	(882 886)	-	(44 001 481)	28 315 303
Waste Water Management/Sewerage	177 648 719	20 159 627	(396 641)	-	300 800	-	197 712 505	(93 623 282)	251 011	-	(3 180 456)	-	(96 552 727)	101 159 778
Road Transport/Roads	189 367 508	15 201 089	(1 267 153)	-	788 226	-	204 089 670	(115 572 708)	1 113 709	-	(4 901 168)	-	(119 360 167)	84 729 503
Water/Water Distribution	185 432 734	2 102 880	(10 069)	-	187 735 324	-	375 260 869	(111 447 140)	8 514	-	(4 695 721)	-	(116 134 347)	259 126 522
Electricity /Electricity Distribution	103 114 810	-	(1 467 052)	-	3 859 359	-	105 507 117	(57 587 395)	819 377	-	(5 207 565)	-	(61 975 583)	43 531 534
	831 416 009	37 975 525	(4 389 336)	-	207 686 714	-	1 072 688 912	(488 000 485)	2 671 274	-	(21 019 544)	-	(506 348 755)	566 340 157
Total														
Municipality	831 416 009	37 975 525	(4 389 336)	-	207 686 714	-	1 072 688 912	(488 000 485)	2 671 274	-	(21 019 544)	-	(506 348 755)	566 340 157
	831 416 009	37 975 525	(4 389 336)	-	207 686 714	-	1 072 688 912	(488 000 485)	2 671 274	-	(21 019 544)	-	(506 348 755)	566 340 157

Appendix D

Segmental Statement of Financial Performance for the year ended Prior Year Current Year

Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand		Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand
Municipality						
3 271 827	7 390 532	(4 118 705)	Executive & Council/Mayor and Council	-	8 872 046	(8 872 046)
36 468 000	103 872 567	(67 404 567)	Finance & Admin/Finance	92 480 140	46 507 649	45 972 491
2 505 565	6 981 226	(4 475 661)	Planning and Development/Economic Development/Plan	5 610	5 792 795	(5 787 185)
16 548 192	13 391 201	3 156 991	Comm. & Social/Libraries and archives	80 964	11 094 810	(11 013 846)
879 385	733 357	146 028	Housing	460 328	657 727	(197 399)
22 321 268	1 068 098	21 253 170	Public Safety/Police	48 400 510	2 119 517	46 280 993
1 994 686	462 386	1 532 300	Sport and Recreation	250 000	649 627	(399 627)
10 716 094	8 151 656	2 564 438	Waste Water Management/Sewerage	315 758	28 335 417	(28 019 659)
19 215 933	3 609 985	15 605 948	Road Transport/Roads	469 089	9 951 406	(9 482 317)
59 519 388	22 115 913	37 403 475	Water/Water Distribution	75 600 562	62 100 351	13 500 211
39 489 399	54 402 299	(14 912 900)	Electricity /Electricity Distribution	45 355 350	63 499 942	(18 144 592)
212 929 737	222 179 220	(9 249 483)		263 418 311	239 581 287	23 837 024
Municipal Owned Entities Other charges						
212 929 737	222 179 220	(9 249 483)	Municipality	263 418 311	239 581 287	23 837 024
212 929 737	222 179 220	(9 249 483)	Total	263 418 311	239 581 287	23 837 024

Appendix E(1)

Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2018

	Forecast # 1 2018 Act. Bal.	Forecast # 1 2018 Adjusted budget Rand	Variance Rand	Var	Explanation of Significant Variances greater than 10% versus Budget
Revenue					
Property rates	7 694 858	7 622 000	72 858	1,0	
Service charges	67 299 066	61 450 000	5 849 066	9,5	The increase in service charges are brought on mainly by the increase in water billings. As water usage are dependant on the needs of the consumers, the Municipality are unable to accurately budget for said expenditure and thus the difference between the budgeted and actual amounts pertaining to service charges.
Rental of facilities and equipment	594 159	893 000	(298 841)	(33,5)	The rental income generated through the rental of municipal facilities are informed by the need of the community for such facilities. The budget was based on usage of municipal assets in prior years.
Licences and permits	1 631	2 000	(369)	(18,5)	As this is merely a budgeted figure informed by prior years, the Municipality cannot anticipate the number of licenses and permits for which there will be applied by Consumers during the year under review.
Transfers recognised - operational	58 955 000	58 955 000	-	-	
Other income - (rollup)	55 323 528	41 839 000	13 484 528	32,2	The significant difference in other income is mainly due to the approximately R 10 million of input VAT that the Municipality are still awaiting to receive from the South African Revenue Services. This amount is currently under audit by SARS and are expected to be refunded to the Municipality shortly..
Other income	-	-	-	-	
Transfer revenue - Capital of nature	70 048 369	68 236 000	1 812 369	2,7	
Interest received - investment	3 206 029	450 000	2 756 029	612,5	Interest received on Investments are in excess of the budgeted amount as the funding received for conditional grants were not spent as per the initial projections and the turnaround on amounts received from transferring agents to the point where creditors were paid were longer than anticipated and hence a larger amount of interest was received.
Dividends received	-	10 000	(10 000)	(100,0)	No dividends was declared by OVK on the shares that the Municipality holds in the company for the year under review. The amount included in the budget was based on dividends declared in previous financial years.
	263 122 640	239 457 000	23 665 640	9,9	
Expenses					
Personnel	(67 392 782)	(69 138 000)	1 745 218	(2,5)	
Remuneration of councillors	(3 745 840)	(3 920 000)	174 160	(4,4)	
Administration	-	-	-	-	
Depreciation	(22 865 258)	(26 550 000)	3 684 742	(13,9)	The difference between the amount of budget and actual for Depreciation and Amortisation are due to inaccurate budgeting for depreciation charges for the year.
Finance costs	(8 604 587)	(3 976 000)	(4 628 587)	116,4	The variance in Finance Costs are mainly due to the high interest charges on outstanding contributions to Pension and Providend Funds as well as the late payment of other trade creditors.
Debt Impairment	(75 303 033)	(18 600 000)	(56 703 033)	304,9	This variance is due to inaccurate budgeting. The high rate of debt impairment was not taken into account. This can also be seen in the underbudgeting for the impairment expense on the statement of financial performance.
Repairs and maintenance - General	(6 229 024)	-	(6 229 024)	-	
Bulk purchases	(24 245 674)	(22 608 000)	(1 637 674)	7,2	
Contracted Services	(6 213 108)	(5 437 000)	(776 108)	14,3	This variance is due to inaccurate budgeting.

Appendix E(1)

Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2018

	Forecast # 1 2018 Act. Bal.	Forecast # 1 2018 Adjusted budget	Variance	Explanation of Significant Variances greater than 10% versus Budget
Transfers and Subsidies	-	-	-	-
General Expenses	(23 831 318)	(21 007 000)	(2 824 318)	13,4 This variance is due to inaccurate budgeting and will be investigated on a line by line basis by the Municipality.
Other revenue and costs	(238 430 624)	(171 236 000)	(67 194 624)	39,2
Gain or loss on disposal of assets and liabilities	(1 150 663)	-	(1 150 663)	-
Fair value adjustments	295 671 (854 992)	- -	295 671 (854 992)	- -
Net surplus/ (deficit) for the year	23 837 024	68 221 000	(44 383 976)	(65,1)

Appendix E(2)

Budget Analysis of Capital Expenditure as at 30 June 2018

	Additions Rand	Revised Budget Rand	Variance Rand	Variance %	Explanation of significant variances from budget
Municipality					
Executive & Council/Mayor and Council	366	12	(354)	(2 950)	
Finance & Admin/Finance	136	638	502	79	The Municipality experienced cash flow constraints hence only critical assets funded by internally generated funds were procured.
Planning and Development/Economic Development/Plan	-	-	-	-	
Health/Clinics	-	-	-	-	
Comm. & Social/Libraries and archives	11 194	6 406	(4 788)	(75)	Slower spending on capital projects than anticipated.
Housing	-	-	-	-	
Public Safety/Police	-	-	-	-	
Sport and Recreation	-	821	821	100	Slower spending on capital projects than anticipated.
Environmental Protection/Pollution Control	-	-	-	-	
Waste Water Management/Sewerage	309	5 821	5 512	95	
Road Transport/Roads	1 809	2 765	956	35	Slower spending on capital projects than anticipated.
Water/Water Distribution	43 595	50 920	7 325	14	Slower spending on capital projects than anticipated.
Electricity /Electricity Distribution	3 636	1 289	-	-	Inaccurate planning and budgeting
Other/Air Transport	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	61 045	68 672	9 974	15	
Municipal Owned Entities	619	-	(619)	-	
Other charges	-	-	-	-	

Appendix E(2)

Budget Analysis of Capital Expenditure as at 30 June 2018

Additions	Revised	Variance	Variance	Explanation of significant
Rand	Budget			variances from budget
	Rand	Rand	%	

Appendix F
Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts					Quarterly Expenditure					Grants and Subsidies delayed / withheld					Reason for delay/withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for noncompliance
		Jun																Yes/ No	
Equitable Share	National Treasury	23 357	11 738	10 066	-	-	-	-	-	56 055	-	10 894	-	-	-	-		Yes	
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		Yes	
FMG	National Treasury	1 900	-	-	-	-	171	260	171	1 298	-	-	-	-	-	-		Yes	
WSIG	National Treasury	15 000	9 000	-	-	-	1 853	5 608	6 172	12 121	-	-	-	-	-	-		No	Portion transferred to Equitable Share
MIG Projects	MIG	5 404	3 205	9 627	-	-	2 011	4 327	5 167	5 727	-	-	-	-	-	-		No	Portion transferred to Equitable Share
Bulk Infrastructure	DWAF	7 000	4 000	18 000	-	-	12 508	3 965	1 994	5 595	-	-	-	-	-	-		Yes	
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		Yes	
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		Yes	
EPWP	Provincial Treasury	250	-	750	-	-	312	261	179	248	-	-	-	-	-	-		Yes	
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		Yes	
INEP	National Treasury	-	-	3 000	-	-	-	-	-	3 000	-	-	-	-	-	-		Yes	
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
		52 911	27 943	41 443	-	-	16 855	14 421	13 683	84 044	-	10 894	-	-	-	-			